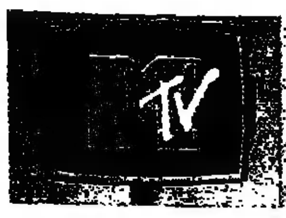

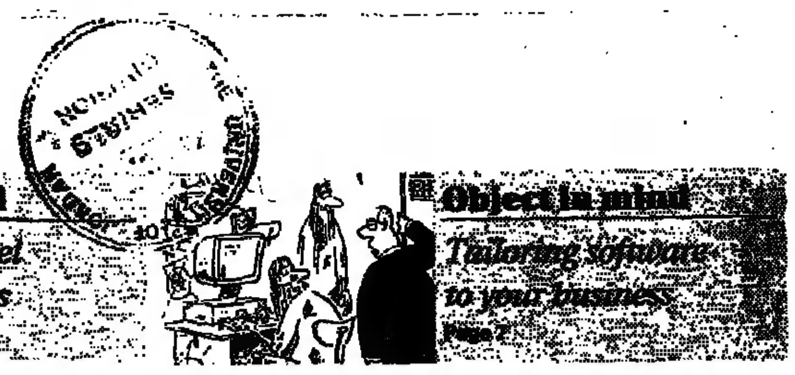

FINANCIAL TIMES

Europe's Business Newspaper
TUESDAY AUGUST 30 1994
D8523A

Euro Disney asks watchdog to probe share price slide

Euro Disney, the troubled leisure group, is to ask the Paris stock market to investigate the recent fall in its shares, which yesterday were twice suspended after plunging to a record low. The group, which recently concluded negotiations with its banks for a FFr13bn ($2.4bn) financial rescue, saw its shares end the day 11.6 per cent down at FFr8.40, having fallen to FFr7.75 during the morning. Page 20

Ivax buys Zenith in $600m deal: Ivax, a generic drugs manufacturer based in Miami, announced the purchase of rival drug maker Zenith Laboratories in an all-stock deal valued at nearly $600m. Page 17

SPD challenges Kohl: Germany's opposition Social Democratic party, trailing in the polls, tried to recover lost momentum by presenting a new triumvirate with which they hope to derail Chancellor Helmut Kohl's bid for a fourth term at the October general elections. Page 16

Serbian leaders ignore referendum: With diplomatic efforts under way to broker an agreement on supervision of Serbia's borders with Bosnia, Serbian leaders pointedly ignored a Bosnian Serb vote to reject a UN-backed partition of Bosnia. Page 2

Banks to gain £100m from shares sale: A syndicate of 28 international banks which acquired convertible preference shares in international advertising group WPP as part of a $271.6m debt-for-equity swap two years ago, is expected to make a profit of around £100m ($155m) when the shares are sold. Page 17

Riyadh boycotts population talks: Saudi Arabia, one of the world's most strictly Islamic states, has decided not to send a delegation to next week's United Nations Conference on Population and Development. Page 3

Upturn at Swedish construction group: NCC, Sweden's second largest construction group, reported a strong upturn in underlying performance even though conditions in its home market worsened. Excluding one-off gains from share sales, the group swung to a SKr106m ($13.7m) profit from a SKr170m loss. Page 19

MAN upbeat despite earnings drop: German engineering and commercial vehicles group MAN claimed to have ridden out the recession in spite of a 30 per cent drop in annual net earnings to DM160m ($98.7m). Page 18

Danish PM calls election: Danish prime minister Poul Nyrup Rasmussen called a general election for September 21 despite an opinion poll showing that two of the four parties in his centre-left majority coalition face elimination. Page 2

Lloyd's seeks up to £250m: Lloyd's of London is expecting to raise between £125m and £250m ($194m to $388m) in capital from corporate investors to help offset a decline in capital supplied by Names, the individuals whose assets have traditionally supported the insurance market. Page 17

Recovery at Groupe Bull: Troubled French computer manufacturer Groupe Bull will show an operating profit at the end of this financial year. Page 17

South African miners agree pay deal: South Africa's 200,000 gold and coal miners agreed on an average 9.75 per cent wage settlement. Page 3

Disclosure plan for unit trust sales: UK companies which sell unit trusts are to be required to give more information about the products and about their fees. Page 21

Doctors oppose pay changes: Doctors will step up opposition to proposals for performance related pay in the UK National Health Service at a special conference in London tomorrow. Page 5

Private funding sought for telecoms: The private sector should take the lead in funding the telecommunications networks of the future, EU industry commissioner Martin Bangemann said. Page 2

Bond market turmoil hits Skandia: Turmoil in international bond markets helped push Swedish insurer Skandia to a first half loss of SKr2.40bn ($322.9m) from a SKr1.66bn profit at the management operating level. Page 19

UK boom in mobile phones: Mobile phones are enjoying such a boom in the UK that new cellular phone connections are racing ahead of connections to traditional fixed phone networks. Page 5

Poland expects investment boost: Poland expects to see private investment inflows worth "well over $1bn a year" in the wake of its commercial debt reduction agreement, Grzegorz Kolodko, the country's deputy premier and finance minister said. Page 2

Hospitality plan for Royal yacht: Two government departments are pressing for the British royal family to have a new yacht to replace Britannia only if big companies are prepared to use it for corporate entertaining. Page 5

■ STOCK MARKET INDICES		
Tokyo Nikkei	20,600.42	(+128.93)
New York lunchtime		
Dow Jones Ind Ave	3,899.50	(+18.45)
S&P Composite	474.97	(+1.17)
■ US LUNCHTIME RATES		
Federal Funds:	4 11/16%	
3-mo Treas Bills: Yld	4.675%	
Long Bond	100 1/32	
Yield	7.48%	
■ Gold		
New York Comex		
(Dec)	$391.8	(388.0)

■ STERLING	
New York lunchtime:	
$	1.536
■ DOLLAR	
New York lunchtime:	
DM	1.57975
FFr	5.4110
SFr	1.3355
Y	100.05
Tokyo close Y 100.20	
London markets closed	

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw30.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS150
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.50	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Z32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal(m'land) Es225		Turkey	L30000
						UAE	Dh12.00

Acquisition of Sterling Health creates world's biggest consumer drugs group

SmithKline in $2.9bn US deal

By Daniel Green and Richard Waters

SmithKline Beecham is creating the world's biggest consumer drugs business by buying Sterling Health from Eastman Kodak of the US for $2.925bn.

The deal, announced yesterday, brings Sterling Health's big-selling brands such as Panadol and Andrews together with SmithKline's Eno and Tums.

It is the largest acquisition yet in over-the-counter (OTC) drugs and doubles London-based SB's annual OTC sales to more than $2bn. SB will pay cash, funding the acquisition through bank borrowings and commercial paper.

The deal is SB's second multi-billion dollar acquisition since Mr Jan Leschly became chief executive in April. The following month it paid $2.3bn for Diversified Pharmaceuticals Services, a US drugs distributor.

SB and Sterling Health have fought over markets in pain-killers and gastro-intestinal remedies for many years, largely in the US, UK and Germany where SB has 70 per cent of its OTC sales. This deal gives SB a presence in more than 100 countries.

"We are going to become the major healthcare company in the world," said Mr Leschly, yesterday.

There has been a series of mergers and takeovers in the healthcare industry involving many of the largest companies such as Eli Lilly and Merck of the US and Switzerland's Roche. The industry's consolidation is a response to pressure from customers – employers who pay health insurance premiums in the US and governments elsewhere – to cut healthcare costs.

Sterling Health made a profit of $162.4m on sales of $1.006bn in 1993 and had net assets of $372.1m at the end of last year.

A provision in SB's accounts of about £500m will be made to cover the costs of restructuring and rationalising the combined businesses.

A dose of OTC medicine for growth strategy .... Page 17
Bayer to pursue control of US brand .... Page 18

Gearing, net debt as a percentage of shareholders' funds, will rise from less than 60 per cent to 300 per cent by the end of this year, but should fall by 1996 as SB sells off its non-strategic businesses, said Mr Hugh Collum, the company's finance director.

Kodak could raise almost $4.6bn from this sale and the planned sale of Sterling's prescription business to Sanofi for nearly $1.7bn.

The company said it hoped to complete the Sanofi deal early in the third quarter of calender year 1994, with the SB transaction being closed in the fourth.

The cash will be used to reduce Kodak's $6.4bn debt. The company is also in talks to sell L&F Products for an estimated $2bn. L&F is a do-it-yourself products company with sales last year of $1bn. Kodak also wants to sell its clinical diagnostics business – which had 1993 sales of around $700m – for which it could expect more than $1bn. In morning New York share trading, SB rose $⅝ to $35. Shares in Kodak rose $1¼ to $50⅝.

SB has had intermittent discussions with Eastman Kodak over Sterling Health for about four years. But it was only in May this year that Eastman Kodak declared its intention to sell its healthcare operations. The sale to Elf Sanofi, its European partner, came the following month.

Further deals are likely in the sector. Shares in Marion Merrell Dow, the drugs company which is 72 per cent owned by Dow Chemical, climbed 8 per cent yesterday morning on news that it had retained Lehman Brothers to advise it on a number of options, including "potential business combinations".

In a separate deal, Ivax, a diversified healthcare group, said it would acquire Zenith Laboratories in an all-stock transaction. Between them, the two companies had sales last year of $570m.

Moscow battles farmers over grain prices

By Chrystia Freeland in Moscow

A battle over grain prices is growing between the Russian government and farmers as this year's grain harvest draws to a close. Officials yesterday forecast that the harvest would reach between 90m and 100m tonnes.

For the first time since the collectivisation of Russian agriculture the government is buying grain from its own producers at market rates rather than at a state price established in the spring.

But grain producers – who complain that food distributors and processors have monopoly control over regional markets – are balking at what they complain are prohibitively low prices and warn that impoverished farms may be unable to bring in the harvest in some regions.

Mr Nikolai Rybakov, a manager at Roskhlebprodukt, the state grain purchaser which was transformed into a joint stock company last year, said yesterday that the government had bought about 2m tonnes of grain so far, just half of the amount the state had bought by the end of August last year.

Roskhlebprodukt's granaries are not filling up at their usual rate because farmers are lobbying to persuade the government to buy their grain at the "indicative price" of between 200,000 and 220,000 roubles ($93 and $102) a tonne agreed by the regional government officials and producers in the spring. But Roskhlebprodukt is, for the first time, trying to operate like a private company, rather than a link in a centralised chain.

"We look at the rates in regional commodities markets and then we decide what price to pay farmers," Mr Rybakov said. He said that Roskhlebprodukt had been paying between 90,000 and 180,000 roubles a tonne of grain, "but we cannot pay farmers more than the world prices".

Some regional authorities warn that Moscow's financial austerity could jeopardise the harvest.

Officials in the east of the country said that because of a shortage of fuel and spare parts

Continued on Page 16

Chinese crackdown to protect Sega games copyright

By Michiyo Nakamoto in Tokyo

Chinese authorities have ordered an electronics company in the south of the country to stop making video games machines with programmes identical to those marketed by Sega Enterprises of Japan.

The victory for Sonic the Hedgehog and other Sega characters represents what is believed to be the first Chinese administrative measure against a local manufacturer over infringement of a foreign computer company's software.

It comes not long after a Beijing court ruled that the image of Mickey Mouse could not be used without the US Walt Disney entertainment group's permission.

China's National Copyright Administration has ordered the Shenzhen Shenchu Electronic Equipment Factory (Shenchu) immediately to stop manufacturing and selling game consoles with game programmes which it ruled infringe Sega's copyright.

Shenchu has also been ordered to deliver all offending games cards to the government authority, and a fine of Yuan 30,000 ($3,520) has been imposed.

News of the crackdown also coincides with a visit to Beijing of a US trade mission by Mr Ron Brown, the commerce secretary.

Sega filed a suit against Shenchu in May and an investigation by Chinese authorities found that 15 out of 20 games incorporated in Shenchu's machines were identical to games developed and manufactured by Sega.

The investigation led the Chinese earlier this month to determine that Sega's game cards should be protected as computer software under the country's copyright laws.

The move comes as China is under increasing pressure from the international community to enforce its copyright laws.

The US has urged the Chinese government to take action against audio and video software pirates, and Beijing's willingness to pursue those who breach copyright coincides with its campaign for readmission to the General Agreements on Tariffs and Trade, which it left more than 40 years ago.

Sega welcomed the Chinese decision which, it said, would be helpful in considering whether or not to launch marketing operations in China, where infringement of its copyright has been rampant.

While reluctant to market its games, the company already manufactures video games consoles in China for export markets.

US seals contracts for £200m, Page 16

West Bank agreement is signed

Israeli Major General Danny Rothschild (left) and Nabil Shâath, the chief Palestine Liberation Organisation negotiator, pocket their pens yesterday after signing an accord transferring the control of education, taxation, health, welfare and tourism affairs in the occupied West Bank to Palestinian hands.

The deal is the most important step in the Israeli-PLO autonomy process since self-rule for the Palestinians of Gaza and Jericho came into effect four months ago. The transfer of the education system has already been completed, in advance of the start of the new school year.

At the signing, at the Erez crossing point between Israel and the Gaza Strip, Mr Sha'ath said the accord "proves that the peace process continues, that it will not stop at Gaza and Jericho, that it will go through the West Bank... that it is implementable." The ceremony was delayed for a short time by the PLO representatives, protesting at Israel's refusal on Sunday to allow a Pakistani diplomat to enter the Gaza Strip. The diplomat had intended to prepare the ground for a visit to Gaza by prime minister Benazir Bhutto. She has since cancelled the planned trip. Israel breaks pattern with 1.5 per cent interest rate rise, Page 3 Picture: Reuter

Fish stir up sea of diplomatic troubles

By Our Foreign Staff

Ten Taiwanese fishing vessels impounded by Indonesia, British fishing nets slashed in the Bay of Biscay, Japanese fishermen shot at by a Russian gunboat, and an Icelandic trawler and Norwegian coastguard vessel exchanging fire – in the past month, fish have become an increasing cause of diplomatic incidents.

A United Nations conference over the last two weeks in New York was intended to end disputes over migratory species. The participants were said to have agreed "overwhelmingly" that a pact was needed to end conflict among member nations, but the meeting reached no consensus.

The conference came as fishing nations have been increasingly at odds with one another over declining stocks. Fishing boats have ventured into new territory in the search for stocks, and are creating diplomatic disputes.

Environmental groups are painting a grim picture of depleted oceans in the next century. They point the finger at new technology that has allowed fishing vessels to locate schools of fish, and improved winches and net materials which have increased efficiency.

The UN Food and Agriculture Organisation estimates that worldwide catches rose more than fourfold in the four decades to 1990, but governments say there are signs of decline.

Fishing communities are also under threat. In Spain, Basque fishermen warn that there "could be deaths and sinkings" unless European Union fisheries ministers agree to ban drift-nets at their meeting in Brussels on September 28.

From Thursday, tuna caught by traditional lines in Spanish waters will have a green aluminium logo clipped on the tail, distinguishing them from fish caught in drift-nets. And the New Zealand government will this week attempt to settle a dispute with environmentalists over new regulations that give fishing companies more say in establishing sustainable quotas.

Fleets fight in over-fished waters, Page 4

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Belgrade ignores Bosnian Serb vote

By Laura Silber in Belgrade

With diplomatic efforts under way to broker an agreement on supervision of Serbia's borders with Bosnia, Serbian leaders yesterday pointedly ignored the defiant vote of their one-time Bosnian protégés who decided in a weekend referendum to reject a UN-backed partition of Bosnia.

After a marathon meeting lasting until early yesterday morning with President Slobodan Milosevic of Serbia, Mr Andrei Kozyrev, Russia's foreign minister, continued a diplomatic tour of former Yugoslavia, and met leaders of the Moslem-led Bosnian government.

The Belgrade meeting remained shrouded in secrecy yesterday but diplomats believe Mr Milosevic was trying to see what concessions he could wring from Russia and the West in exchange for stationing monitors on the frontier with Bosnia. Serbia imposed economic sanctions on the Bosnian Serbs earlier this month for their refusal to endorse a peace plan.

They believe the international community is keen to give the impression that Mr Milosevic is not under international pressure to put monitors on the border. This would ease nationalists' charges about betraying their kith and kin in Bosnia.

The contact group – Russia, the US, Germany, France and the UK – is hoping that Mr Milosevic will tighten the noose round the Bosnian Serbs. But reports that he had proposed monitors on Bosnia's frontiers with Croatia too were dismissed as a "non-starter".

The US has threatened to lift its embargo on arms sales to the warring parties in Bosnia if Bosnian Serbs continue to block the peace plan, but the Bosnian Moslem government has been bolstering its army with weapons smuggled through Croatia.

Mr Milosevic's resolve to punish Bosnian Serb leaders may harden after referendum results from Serb areas in Bosnia yesterday, which showed that the partition maps proposed by the contact group had been overwhelmingly rejected.

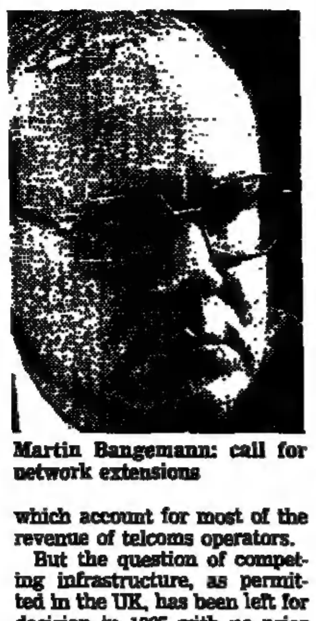
The results of the poll – dismissed as irrelevant by peace mediators – came as no surprise. While diplomats admit that the referendum may further entrench the Bosnian Serb leadership, they say it will have little impact on the peace process.

More than 90 per cent of Bosnian Serb voters rejected the maps which divide the war-torn country roughly in half, said Mr Petko Cancar, head of the referendum commission.

Bangemann appeals for more competition

EU plea for private telecom funding

By Lionel Barber in Brussels



Martin Bangemann: call for network extensions

The private sector – not the public sector – should take the lead in funding the telecommunications networks of the future, Mr Martin Bangemann, EU industry commissioner, said yesterday.

In a speech to the 13th World Computer Congress in Hamburg, Mr Bangemann said there was no need for extra public sector funding; but he warned that private companies and consortia had to be given the chance to compete on an equal footing.

This meant breaking up long distance telephone monoplies, and linking existing networks as fast as possible so as to achieve the lower tariffs vital for creating the new information society.

"The only way to get lower tariffs is through competition," he told delegates.

Mr Bangemann's crusading tone comes amid pressure from Brussels to liberalise the supply of telecommunications infrastructure across the European Union, despite continued opposition from national telecoms operators fighting the loss of their monopolies.

Mobile, satellite and other business-related services are already open to competition. EU governments have also agreed to set a target date of 1998 for the opening of competition in basic "voice services" which account for most of the revenue of telcoms operators.

But the question of competing infrastructure, as permitted in the UK, has been left for decision in 1995 with no prior commitment to liberalise. Mr Bangemann's speech yesterday suggests further pressure from the Commission to bring forward the decision and secure a commitment to infrastructure competition from member states.

The speech comes as the European Commission is putting final touches to a new document on EU industrial policy in the 1990s. The document is likely to be measured against the strategy for industrial policy set out by Mr Bangemann in 1990. The 1990 paper abandoned "vertical" policies in favour of channelling aid to particular sectors. Instead, it promoted "horizontal" spending on training, infrastructure and research – the idea being to bolster competitiveness and benefit the whole European economy rather than championing individual industries.

In his speech, Mr Bangemann said industrial policy should not only cover the technological industries of tomorrow. New technologies could – and should – be adapted to tackle today's problems.

He cited the use of computerised traffic management systems; introduction of modern diagnostic equipment which could offer early warning systems registering air pollution; and use of information networks such as "telemedicine".

Mr Bangemann called for an extension of telecom networks to pave the way for multi-media services such as teleshopping, telebanking and teleworking.

But he also said it was important to strengthen data protection and copyright. EU leaders at the Corfu summit last June agreed that the Commission should establish a regulatory framework to cover access to markets, compatability between networks, intellectual property rights and data protection.

Danes to go to the polls next month

By Hilary Barnes in Copenhagen

Prime Minister Poul Nyrup Rasmussen yesterday called a general election to the Folketing for September 21, breaking with tradition by choosing a Wednesday rather than a Tuesday for the vote.

Mr Rasmussen, leader of the Social Democratic party, made his announcement despite a Gallup poll yesterday that showed two of the four parties in his centre-left majority coalition face elimination from the Folketing.

"A Gallup poll is not the same as an election," he said.

He hoped to be able to continue in office at the head of the present government, which besides his own party includes the Radical Liberals, the Centre Democrats and the Christian People's Party.

The latter two parties risk failing to qualify for Folketing seats by attracting less than 2 per cent of the vote.

If the election result reflects the opinion polls, the next parliament will be sharply divided between the left and right because of the weakened small centre parties.

Mr Rasmussen however, has a good chance of staying at the head of a minority government of Social Democrats and Radicals, but this government would have to rely on the support of the left-wing Socialist People's party. Together, these three parties scored 52 per cent in yesterday's Gallup, with the Social Democrats at 33.5 per cent compared with 37.4 per cent in the 1991 election, the Radicals at 4.8 per cent compared with 3.5 per cent and the Socialist People's party moving ahead to 11.1 per cent from 8.3 per cent.

Mr Uffe Ellemann-Jensen, leader of the Liberal party and the leading candidate to become prime minister in a non-Socialist coalition, welcomed the Gallup. "People can see the risk they run of getting a red cabinet," he said.

The Liberals are heading for a strong result, with Gallup showing them at 23.1 per cent against 15.8 per cent in 1991.

The Liberal party and the Conservative party, led by Mr Hans Engell, the former minister of justice, hope to form a coalition on the basis of support from the right-wing populist Progress party.

Mr Rasmussen's coalition took office (without election) in January 1993, after just over 10 years of rule by Conservative-Liberal coalitions under Conservative leader Mr Poul Schluter, who resigned over the treatment of Tamil refugees. Mr Rasmussen's government has implemented a strongly expansive fiscal policy this year to kick-start the economy.

Mr Rasmussen said the election campaign would focus on the welfare state, which his own party wished to maintain and improve, while the right aims to cut government expenditure.

Mr Rasmussen announcing the election yesterday: 'A Gallup poll is not the same as an election' Picture: AP

Poland expects debt deal to boost investment

By Christopher Bobinski in Warsaw

Poland expects to see private investment inflows worth "well over $1bn (£600m) a year" in the wake of its commercial debt reduction agreement due to be completed this month, Mr Grzegorz Kolodko, the country's deputy premier and finance minister said yesterday.

Mr Kolodko was speaking after Poland had received the final assents needed from 600 holders of the country's $14bn of commercial debt for the agreement to go ahead. "Last Friday the last major holder agreed to the buy-back component," Mr Kolodko said. This meant the debt reduction would amount to 49.5 per cent of the commercial debt stock.

Overall at the end of April Poland's net foreign debt stood at $44bn. The country's debt to western governments grouped in the Paris Club was cut by 50 per cent in a 1991 agreement.

"We have had an abnormal external credit situation since 1980 when the debt crisis first hit us and now we are returning to normal financial relations," Mr Kolodko said.

The agreement, which is due to be signed in Warsaw on September 14, means that the country's $14bn commercial debt will be cut by $6.6bn with another $2.4bn worth being bought back by the Poles at a rate of 41 cents to the dollar. The rest of the debt will be exchanged into 30-year par and discount bonds worth a total of $4.6bn.

The bonds are to be secured against the sum of around $900m deposited in the US Federal Reserve in US treasury bonds which will be used to redeem the Polish government paper once it falls due in October 2024.

The $1.9bn initial cost of the agreement is to be financed by $1.3bn worth of loans from the IMF and the World Bank with the balance coming from the NBP, the Polish central bank's reserves. Interest payments next year will cost $368m while the agreement, which is more generous to the Poles than originally thought because of the high buy-back component, will cost an average of $450m annually in interest payments over the next 30 years.

As late as mid-July the Poles only had the assent of 92 per cent of holders of the debt, while 95 per cent was needed for the key buy-back component to be implemented. One major creditor, believed to be the Dart family of Florida in the USA, who holds $600m or 7 per cent of the debt, was then refusing to accept the reduction deal.

"We explained to them that they had no option but to join the agreement and they assented last Friday without any additional conditions," Mr Krzysztof Krowacki, the Polish debt negotiator said yesterday, without confirming the identity of the creditor.

Polish police crack down on TV stations

By Christopher Bobinski

Polish police yesterday closed down six unlicensed television stations belonging to a chain controlled by Mr Nicola Grauso, a media owner from Sardinia. The crackdown on the stations in six cities including Warsaw – which had been broadcasting on frequencies reserved for the military – came after Mr Grauso failed to get either a national or regional broadcast licence in allocations earlier this year.

The Polonia 1 network of 12 regional TV stations had continued to broadcast a popular diet of soap operas and films in defiance of broadcast legislation passed last year.

A justice ministry official said police closed those stations broadcasting on frequencies reserved for the military, but stressed that a further eight, including one not owned by Mr Grauso, would also be shut down shortly.

"Police officers and prosecutors visited the illegal stations, ordering that they be closed and in cases of no compliance they turned the equipment off themselves," the official said.

Mr Grauso also owns the Zycie Warszawy daily newspaper and says he has invested in excess of $20m in Poland. The network claims a 30 per cent share of the audience and is favoured by President Lech Walesa, who sees it as a potential ally in his second-term presidential campaign due late next year.

The president has made no secret of his opposition to Polsat, the Polish-owned station which has been granted the country's only national commercial TV licence. This decision is being contested in the courts by rivals seeking a licence.

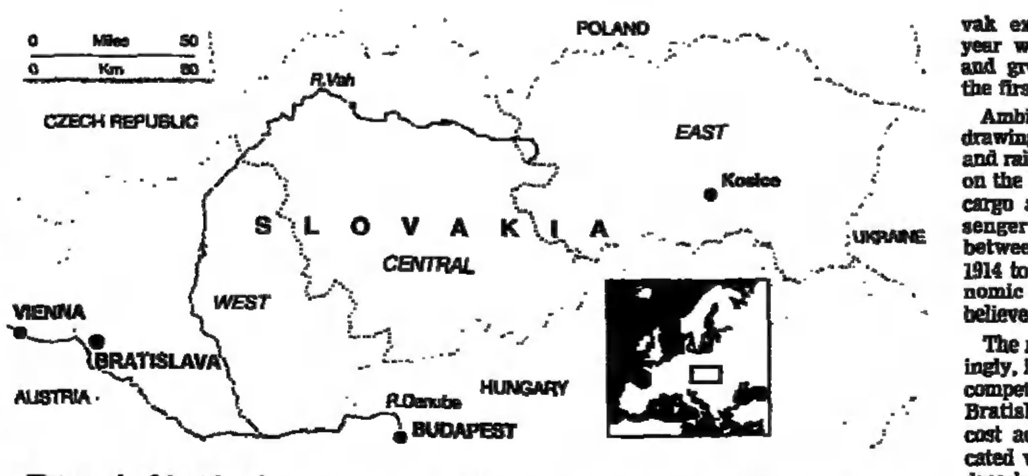
Polonia 1 officials claimed the police action was unexpected and brutal.

"It was a storm – fully armed anti-terrorist brigades were used against defenceless journalists, many of them women," Polonia 1's spokesman said.

Bratislava starts to catch up with ally

By Vincent Boland in Bratislava

EUROPEAN DIARY



Shortly after the Velvet Revolution of 1989 that ousted communism in the former Czechoslovakia there was a crisis in Bratislava's supermarkets. They ran out of yoghurt.

The distribution system, geared to a centrally planned economy, collapsed and it suddenly became impossible to get domestic products. "We have very good yoghurt in Slovakia," notes Mr Peter Kresánek, mayor of Bratislava. "But three years ago you couldn't buy Slovak yoghurt, only Austrian."

Happily, local producers soon got the hang of the market economy and Slovak yoghurt is now on display again. Ironically, it is now a big hit with the thousands of Austrian shoppers who stream across the border from Vienna, just 65km to the west, every weekend to take advantage of the city's lower prices. With the average Austrian industrial wage of $3,200 against Slovakia's $200 a month, the attractions are obvious.

The crowds of Austrian shoppers testify not just to the geographical closeness of the two cities, but also to a new business relationship that has developed since the revolution. It is a two-way relationship. Since border restrictions were eased thousands of Bratislavans have begun to travel to the Austrian capital daily to work on construction sites, as cleaners, or in shops and restaurants.

As a result unemployment in Bratislava, at less than 5 per cent, is far lower than the Slovak average of nearly 15 per cent, and higher Austrian wages give Bratislavans more spending power at home.

"The relationship is very good, both on the personal and the economic level," Mr Kresánek says. For many Bratislavans the restored links are symbolised by the close personal and working ties between Mr Kresánek and his Viennese counterpart, Mr Helmut Zilk.

At the height of the Velvet Revolution Mr Zilk made an unexpected appearance at an anti-government rally in Bratislava to tell 100,000 cheering Slovaks that the people of Vienna stood by them in their struggle. The gesture, remembered with affection by many Bratislavans, is credited with reawakening links between the two cities. Mr Zilk became an honorary citizen of the Slovak capital shortly afterwards, and the two men meet regularly.

Austria is by far the biggest foreign investor in Slovakia, accounting for over a quarter of all foreign investment in the country at the end of June. About half the total Austrian investment of $275m (£177m) in Slovakia is in Bratislava. Slovak exports to Austria last year were worth over $300m, and grew to nearly $200m in the first half of 1994.

Ambitious plans are on the drawing board to improve road and rail links, upgrade services on the Danube for tourism and cargo and even revive a passenger tram line that ran between the two cities from 1914 to 1946, although the economic cost of the latter is believed to be prohibitive.

The relationship, not surprisingly, is becoming increasingly competitive. Business people in Bratislava trumpet the city's cost advantages and well-educated workforce, but admit its drawbacks. "Bratislava can beat Vienna on cost, but not on infrastructure," says Mr L'ubomir Kardoš, a Bratislava businessman who says he wants to expand his stationery business into Vienna.

Some successes have been noted. Organisers of the annual Bratislava Trade Fair claim to have won exhibitors away from the Vienna fair by offering display space at a fifth of the cost. With Vienna airport roughly half way between the two cities, the Slovaks are counting on their lower costs to lure more business east.

WORLD NEWS DIGEST

US probe into aluminium pact

The US Justice Department is investigating whether a worldwide agreement last January to cut production of aluminium may have led to violations of anti-trust law by the aluminium industry. The US Aluminum Association said it had received formal notice of an investigation into possible anti-trust violations stemming from the agreement to restrict production of primary aluminium. US aluminium producers have got similar notices.

Ironically, the US government was one of the parties to the January agreement, which also involved Russia, the European Union, Canada, Norway and Australia, and was one of the keenest advocates of production restrictions to deal with a glut of aluminium on the world market. The agreement came in response to a flood of exports of primary aluminium from Russia, which had previously used most of its output for domestic military purposes.

At the January meeting Russia agreed to cut production by 500,000 tonnes, or about 15 per cent, for two years, while western producers were expected to make voluntary cuts totalling around 1m tonnes. The Aluminum Association said it would co-operate fully with the probe and was "confident that the association's programmes have been conducted in compliance with anti-trust law." *George Graham, Washington*

Albania presses on with trial

Albanian prosecutors yesterday demanded jail terms of between seven and nine years for five ethnic Greeks accused of spying for Athens. If they are convicted, it could put Albania on a collision course with Athens, which has already deported thousands of illegal Albanian immigrants from Greece in retaliation for what it calls a political trial. The Albanian government said Greece had deported 26,000 illegal Albanian immigrants since August 15 and Albanians living near the southern border with Greece said Athens had also tightened land and sea frontier controls.

The five accused, all members of the ethnic Greek organisation Omonia, based in southern Albania, were arrested in April following a raid on a military camp close to the Greek border. Two Albanian conscripts were killed. Tirana blamed Greece for the raid but Athens denied the charge. "They have all committed the crime of serving the Greek secret service," the prosecutor alleged. The prosecutor said the men were found in possession of illegal weapons with the intention of arming the minority "at a certain time according to orders". The trial has rekindled deep-seated tensions between Albania and Greece, which accuses Tirana of mistreating its Greek minority, estimated by Athens at 300,000 and by Tirana at 60,000. *Reuter, Tirana*

Russian crew looks for escape

Crew members of a Russian ship stranded in a Ukrainian port for six months have run out of food and soon will have no choice but to try to outrun the Ukrainian coast guard, the ship's captain said yesterday. The Russian ship Modul was detained by Ukrainian authorities at the Crimean port of Evpatoria. It has a cargo of 60 tonnes of Ukrainian ammunition for Angola. But the Ukrainian suppliers wanted the delivery stopped as they had not received payment from Angola. "If Moscow and Kiev do not help the Russian sailors, my crew will only have one option: to try to break past the border and outrun the Ukrainian coast-guard," Captain Leonid Volfovsky told a Russian news agency. He said a Russian official had come on board to try to resolve the dispute. One solution might be to load the contested cargo on to another Russian ship. *Chrystia Freeland, Moscow*

Ukrainian bid to fight crime

Ukraine's president Leonid Kuchma this week moved again to fight crime, with a decree consolidating the country's disparate security services. With crime heading the domestic political agenda, his latest step addresses public concern over what he calls the "mafiaisation of Ukraine", but carries a potentially high cost in the centralisation of police powers. After authorising police to detain suspects for 30 days without charge last month, Mr Kuchma at the weekend said the general prosecutor, the interior ministry and the security service, heir to the KGB, were to join forces on "the most difficult cases of crimes in financial and banking services, trade and those committed by public servants". The move aims to stem the spread of organised crime, but observers are worried that, by centralising investigative efforts in a manner reminiscent of the Soviet period, corruption could be entrenched at high levels, including within agencies charged with fighting it. *Matthew Kaminski, Kiev*

Australian trade deficit widens

The Australian current account deficit widened to a seasonally adjusted A$1.84bn (£887m) in July, the largest monthly deficit since March 1993 and at the upper end of market expectations. The revised deficit for June was A$1.52bn. The figure caused mild concern in financial markets, where the Australian dollar closed weaker against the US currency. There have been persistent worries that the country's strong economic recovery, which has been driven by domestic demand, coupled with the very slow upturn in business investment, could pose problems on the balance of payments front. If investment starts to surge all at once, it is argued, imports of plant and equipment will be sucked in, giving rise to mounting trade deficits. In addition, some analysts are concerned that the current drought, affecting parts of Queensland and much of New South Wales, will depress agricultural exports, compounding this problem. However, Mr Paul Keating, the prime minister, said yesterday that he believed structural changes which had made the economy more competitive should prevent a big current account problem. "The Treasury expects some increase in the deficit this year," he said, "but unlike some episodes in the past, the increase is expected to be limited." *Nikki Tait, Sydney*

Malaysia acts against sect

The Malaysian government has made further moves against an Islamic sect it accuses of trying to destabilise the country. According to government edicts published at the weekend, anyone actively involved with Al Arqam, a sect which claims 100,000 followers in Malaysia and many more in surrounding countries, is liable to arrest, flogging and imprisonment. Earlier this month, Malaysia's national Fatwa council, the body that rules on Islamic orthodoxy, said Al Arqam teachings were deviationist. More than 30 of the sect's followers were arrested over the weekend. Malaysian non-government organisations and the country's bar council have expressed concern that the government's moves violate human rights. Brokers said that a drop of more than 2 per cent on the Kuala Lumpur stock market on Friday was due to general nervousness about the government's actions against Al Arqam. The market was stable yesterday in lacklustre trading. *Kieran Cooke, Singapore*

Incomes on the rise in US

Personal incomes in the US rose a seasonally adjusted 0.5 per cent in July, the sixth straight monthly increase, outstripping the 0.2 per cent increase in consumer spending, the Commerce Department reported yesterday. Income after taxes also rose 0.5 per cent. The increases follow a rise of 0.1 per cent in June income and disposable income. Personal consumption expenditures (PCE) increased by 0.2 per cent in July, coming after a revised 0.5 per cent rise the previous month. The July figures for income and spending were generally in line with analysts' forecasts and show the economy is growing at a moderate pace. The savings rate, which represents savings as a percentage of disposable income, rose to 4.1 per cent in July from 3.7 per cent in June. Wages and salaries, a component of income closely watched by the markets for signs of inflationary pressure, also rose 0.5 per cent. The PCE deflator index, an inflation measure, rose to 129.7 in July from 129.2 in June. *James Harding, Washington*

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US phone groups win video victory

By George Graham in Washington

US local telephone companies have won a court victory in their battle to be allowed to offer video services to their customers.

The US appeals court in Washington has upheld a Federal Communications Commission policy permitting companies to offer "video dial tone" services to their customers without paying a franchise fee to the local government, as cable TV systems must do. Unlike a cable system, where customers can receive only a fixed list of channels, a video dial tone system would allow any programmer to send its signal over the telephone line.

Although not as futuristic as video on demand, where customers could dial up and ask for a specific film, video dial tone is not yet an operating service. But the FCC has approved several applications to be allowed to offer the service and Bell Atlantic, the east coast regional telephone company, is expected to have a service in operation soon.

Local phone companies would be allowed to offer video dial tone services without obtaining a franchise in each community under some versions of the telecommunications legislation under discussion in Congress, so long as they were open to all programmers. But some industry officials doubt whether that legislation will be completed before Congress breaks up for the election campaign.

The legislation would, in any case, require phone companies to wait for a year after enactment.

Franchise fees paid to local government by cable companies typically amount to 5 per cent of revenue but can go higher. Telephone company officials said the appeals court's decision would remove a significant potential deterrent to investing in the new technology.

The court decision said that the FCC was right in its determination that a telephone company providing video dial tone would not be engaged in the "transmission of video programming" as defined in the Cable Act, but was instead acting as a common carrier, rather like the Post Office.

Cable companies complained that the ruling would put them at a disadvantage, since they not only have to pay a franchise fee but also have to comply with regulatory requirements under the Cable Act.

Inflation forces hand of Chinese leaders

By Tony Walker in Beijing

Chinese leaders may not have panicked over recent bad economic news but they have certainly reacted vigorously to indications that a 12-month-old programme aimed at curbing an overheating economy was faltering.

Since last week they have reasserted price controls and announced that failing state-owned enterprises would be bailed out. Less emphasis is being placed in government statements on reform than on stabilising an economy which is proving resistant to attempts to rein it in.

The question for western economists and for business is whether a price freeze accompanied by "welfare" payments to state industry marks a backing away from economic liberalisation, or whether the authorities are simply putting on the brakes.

Chinese economists scoff at western concerns about possible backsliding in reform, saying the government has been forced into more decisive measures by a resurgence of inflation and by signs that an increasing number of cash-starved state industries are on the verge of collapse.

Professor Dong Fureng, one of China's most senior economists in his role as director of the Institute of Economics at the Academy of Social Sciences, said last night that the government was obliged to resort to a more interventionist approach to slow an economy which was still growing too fast. The present rate of economic growth was "unsustainable", he said, and resources such as power supplies and transportation continued to be overstretched. This in turn was exacerbating inflation. "If inflation goes too high, it will cause chaos," Prof Dong added.

This is the same message that Mr Li Peng, the Chinese premier, delivered at the weekend when announcing that for the rest of this year countering inflation would be the government's leading priority. Mr Li raised the spectre of social unrest to justify sterner measures.

Official alarm about inflation was heightened by the July urban retail figures which showed that prices had jumped 24.2 per cent for the 12 months, reversing a moderating trend. The bad result followed release of capital spending figures which revealed an astonishing leap of 73 per cent in July in fixed asset investment compared with the same period last year.

Western economists in Beijing say the government has recognised that the macro-control measures announced in July 1993, including a credit squeeze, had not been sufficient to calm an economy which grew by 13 per cent or more in the past two years. But they worry that deepening alarm about inflation may cause the authorities to repeat mistakes of the past such as the severe retrenchment of 1988 which came in response to price rises of 20 per cent and more.

The abrupt slowdown in economic activity in 1988-89 is cited as a main reason for the Tiananmen Square disturbances. Chinese leaders will want to avoid repeating the same mistake but economists worry that avoiding a bumpy as opposed to a soft landing (retrenchment without too much pain) may be easier said than done.

Israel breaks pattern with 1.5% interest rate rise

By David Horovitz in Jerusalem

Israel's central bank yesterday departed from its longstanding policy of minor interest-rate rises by jacking up rates by a full 1.5 per cent to 14 per cent, in an effort to halt a surge in inflation.

The Bank of Israel move, which takes effect on Thursday, was immediately matched by a 1.5 per cent increase in prime rates at Israel's commercial banks.

The central bank had previously sought to slow price rises with a series of seven minor interest-rate increases in the past nine months, to no avail. Inflation, which the government had predicted would settle at around 8 per cent for 1994, is now running above 14 per cent. The Bank of Israel's governor, Prof Ya'acov Frenkel, described yesterday's move as "a pre-emptive strike" to ensure it did not spiral out of control. "Our goal is to return inflation to single figures," he said, "as in the industrialised world."

Key factors in the inflation surge include: the continuing rise in house prices – soaring by 20 per cent in some areas despite government efforts to free more land for building; a number of relatively high public sector wage settlements; and rising prices in the protected local fruit and vegetable markets.

Governor Frenkel indicated yesterday that he would have liked to order a sharp interest-rate rise some months ago, but had refrained because of concerns that Israel's economic growth would be harmed and unemployment rates lifted. Now, though, he said, there was a national consensus that the fight against inflation should be made a priority.

Indeed, apart from inflation – which rings particular alarm bells in Israel given the triple figure inflation blight of a decade ago – the economy is performing impressively.

Annual growth is running at more than 6 per cent, and jobless totals have been coming down: figures released last week by the Central Bureau of Statistics showed unemployment down to 7.8 per cent in the second quarter of the year, from 8.2 per cent in the January-March quarter.

In a reflection of that robust overall economic performance, the Tel Aviv stock market yesterday shrugged off the interest rate news, its general share index closing the day up 3.26 per cent at 179.94. Similarly, last week the market dipped only briefly following the government's announcement that it would be introducing a capital gains tax at the exchange, taking 10 per cent of real profits.

"The one-two punch of a new tax and a large interest rate hike could, ordinarily, have been expected to bring the market down," said one analyst. "But the sense is that the market is pleased to see the government taking the battle against inflation seriously."

Saudi Arabia to boycott population conference

By Mark Nicholson in Cairo

Saudi Arabia, one of the world's strictest Islamic states, has decided not to send a delegation to next week's United Nations Conference on Population and Development in a move sure to stoke intensifying conservative Moslem opposition to the Cairo meeting.

A UN spokesman in Cairo confirmed that Saudi Arabia had said it would not attend, but said Riyadh had not explained why.

Around 20,000 delegates from up to 180 countries are due to attend the event, which opens next Monday and is billed as an attempt to formulate a sweeping but consensual world approach to the related issues of population growth and development.

Conference organisers say only Monaco, Liechtenstein, Eritrea and the small Pacific Island of Nauru had previously stated they would not participate.

Saudi officials were not available for comment. However, the kingdom – whose ruler King Fahd titles himself the "custodian of the two holy mosques" of Mecca and Medina – is sensitive both to its role in the Moslem world and also to powerful domestic conservative Islamic opinion.

As a measure of the latter, Sheikh Abdul-Aziz bin Baz, the kingdom's senior religious figure, yesterday called on Saudi Arabia to boycott the meeting. He said a meeting today of the kingdom's most authoritative religious committee would "denounce" the Cairo conference as "incompatible with the Moslem religion".

Sheikh bin Baz's comments and Saudi Arabia's decision will further encourage conservative Islamic critics of the conference, who have grown increasingly vocal in recent weeks, notably in the host country itself.

Iranian officials have also cast the forthcoming conference in a religious light, condemning the draft UN text for promoting "sexual liberty" and committing Iranian delegates to making the final document compatible with Islamic law.

Extremist Islamic groups in Egypt joined the fray at the weekend, warning that all foreign visitors to the conference were "putting themselves in dangerous way" by attending what they described as the "licentiousness conference".

Security at hotels, tourist and other sensitive sites has been increased noticeably in the past few days to safeguard against this threat.

TV people meter alarms Japan's networks

By Emiko Terazono in Tokyo

Times are tough for Japan's television networks. Advertising revenues have fallen for two consecutive years, the competitors – satellite and cable television – are getting stronger, and all this is happening as growth in the number of viewers has become stunted.

Now the networks face another headache: the people meter. Already used in the US and Europe, the people meter is the new television ratings system by AC Nielsen Japan, the Japanese arm of the US television rating and marketing group.

By providing more precise and timely information on who is watching what, the device can change the country's television advertising market, the second largest in the world at Y1,589bn ($16.05bn), by influencing programme schedules and advertisement rates.

The concept of television viewer ratings and its use for advertising rates was brought to Japan by Nielsen in 1960. However, Dentsu, the largest advertising agency, and the leading networks set up their own ratings company, Video Research, two years later, which now holds a virtual monopoly in Japan. With the people meter, Nielsen wants to regain its foothold.

The meters are also damaging for the networks because they can give advertisers more bargaining clout in what is already a buyers' market. When the people meter was launched in the US in 1988, US networks, which offer ratings guarantees to advertisers, incurred sharp earnings falls because they were getting lower Nielsen ratings than they were used to.

Nielsen's announcement earlier this month of its plan to introduce the ratings system in Japan in November has triggered an outcry from television networks. The commercial television networks' association last week demanded that Nielsen retract its plan, saying the group's credibility would be hurt if it failed to do so.

Mr Yasuhiro Urushido, an executive at a leading network and vice-chairman of the association's committee on individual ratings argues that the people meter had yet to be tested sufficiently. He also complains that a consensus had yet to be reached between the potential users of the system – the networks, advertisers, advertising agencies and the viewers.

However, corporate advertisers are behind the company. The Japan Advertisers' Association has given the people meter its endorsement. Corporations have become frustrated with the current ratings system based on households and supplemented by information on individual viewers based on diaries in which viewers list the programmes they watch.

Foreign advertising agencies, trying to break into the tightly guarded Japanese market, have also welcomed Nielsen's move to provide fast, target-group-oriented data.

The household ratings system gives automated data from 3,600 households across the nation. However, the system fails to supply ample information to advertisers wishing to target a certain age or gender group. Meanwhile, the diaries, filled in by individual viewers for one week per month, rely on the memories of those who can bother to keep them up to date.

Nielsen's system requires every viewer to push a button on a machine on top of the television each time he or she watches television. Each member of a Nielsen family will have a separate button, and a heat sensor which can detect the number of people in front of a television set will beep a warning if the number of buttons and viewers do not match.

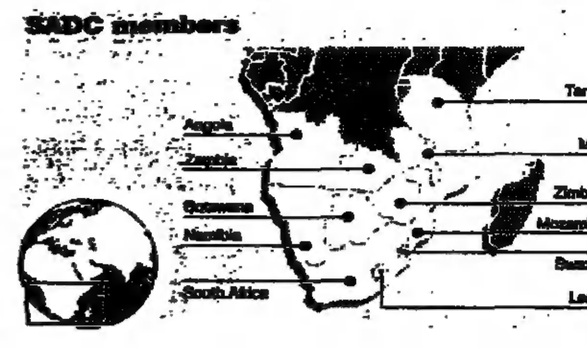
The networks' association argues that the people meter still relies on the diligence of the viewers to press the buttons, adding that the reliability of the sensors are yet to be proven. It is unlikely, however, that opponents of the system can prevent Nielsen starting its service.

Although the networks say they will not allow advertisement rates to be based on Nielsen's ratings, they cannot stop corporate advertisers from referring to the figures. An official at a US-based advertising agency says: "Ratings are like a currency in the industry. The stronger and more widely used one usually wins."

Southern Africa harnesses SADC as engine for growth

By Mark Suzman in Johannesburg

SADC members



South Africa's Deputy President Thabo Mbeki yesterday handed over the country's new flag to Southern Africa Development Conference chairman Sir Ketumile Masire in Gaberone, Botswana, in a gesture that marked the start of a new era for the entire region.

The formal accession of South Africa to the now 11-member SADC means that the organisation, originally devoted to reducing its members' links to their southern neighbour, is now regarded as the vehicle with the best chance of driving the region towards growth. The shift follows years during which SADC has been politically opposed to, but dependent on, South Africa.

This spirit of co-operation between South Africa and SADC was by no means guaranteed. While most of the world rejoiced at the success of South Africa's elections earlier this year, the broader southern African community viewed the transition to democracy with mixed feelings.

Although justifiably proud at their contribution to the overthrow of apartheid, many in the region feared that the African National Congress, once in power, might forget its debts, while South Africa's re-emergence on the global stage would divert much-needed aid and investment from its poorer neighbours.

But, despite such concerns, the new South African government has placed regional co-operation at the forefront of its emerging foreign policy. In parliament two weeks ago, Mr Alfred Nzo, foreign minister, made clear that promoting good relations with other southern African states would be a priority.

"South Africa will actively encourage the movement to create a new form of political and economic interaction in southern Africa," he said, while stressing his support for a new regional security mechanism that would complement SADC's economic activities.

The new approach is a marked contrast to South Africa's previous policies. As the unquestioned regional superpower under former President P.W. Botha, the South African regime unabashedly used its economic and military might to prevent its black-run neighbours from successfully uniting in opposition to South Africa or helping to provide aid to the liberation movement.

By helping to foment civil wars in Angola and Mozambique and showing little hesitation in launching cross-border military strikes to try to destroy ANC bases in other countries, South Africa garnered a well-deserved reputation as regional bully. It was in response to such activities that South Africa's neighbours formed SADC's precursor, the Southern African Development Co-ordination Conference (SADCC), in 1980.

Despite its admirable aims, however, SADCC proved unable to meet its objective of reducing its members' trade with South Africa. Not only did nearly all its members actually expand their economic relationship with South Africa over the past decade; few of the organisation's initiatives to improve regional infrastructure yielded any fruit.

Now, however, the situation has changed drastically. Recognising the wider impact of political change in South Africa, the body renamed itself SADC in 1992, changing its primary focus from opposition to South Africa to economic development. And, with South Africa now a fully integrated member, the organisation is optimistic that it will finally be able to succeed in its goals.

Yesterday's SADC summit was preceded by a two-day meeting of regional trade ministers and it is through trade that the main thrust of economic development is planned. Recognising the need to establish competitive, export-oriented industries, SADC intends to devote itself to the establishment of a regional trade treaty which will ultimately allow the free movement of goods, services and capital across all member states.

However, most of the region's economies maintain complex trade and tariff regulations which will take a long time to dismantle. In addition, the relative size of South Africa – it contributes over 75 per cent to a regional GDP of around $125bn (£80.6bn) – makes other countries nervous of being flooded with cheaper South African goods should all restrictions be removed.

Thus many observers feel that any short-term benefits flowing from a restructured SADC are likely to be political rather than economic. "I can't see SADC successfully turning itself into a free trade area in the immediate future, but there is significant potential for the grouping, under South African leadership, to play the role of regional peacemaker," says Mr Chris Landsberg, a foreign policy specialist at Johannesburg's Centre for Policy Studies.

Acknowledging this possibility, the Frontline States organisation (a political grouping comprising all SADC members except Malawi, Lesotho and Swaziland and also originally designed to thwart South Africa) has decided to restructure itself into the political and security wing of SADC. It to play the role of mediator in regional conflicts.

The scope for such activities has been demonstrated over the past week as SADC members have taken a stand to try to restore democracy to Lesotho after its king illegally dismissed the elected government. South African President Nelson Mandela has also played a role in helping to resolve remaining disagreements ahead of the planned Mozambican elections.

Whether any of these initiatives, political or economic, prove successful remains to be seen. However the fact remains that, for the first time since most of SADC's members achieved independence, there is hope that, with South Africa at the forefront, the region might at last be able to reverse its economic decline.

Miners agree wage rise

South Africa's National Union of Mineworkers yesterday formally agreed on an average 9.75 per cent wage settlement for 1994-95 on behalf of 200,000 of its members, writes Mark Suzman.

The agreement forestalls the possibility of a strike in the industry, the country's largest. It has been widely praised by government and business figures as an encouraging sign for renewed economic co-operation with big business in the light of the high-profile strike by 25,000 workers in the motor industry, which is now in its fourth week.

The final pay settlements – which will lead to rises of between 8 and 8.75 per cent in wages for skilled gold miners, 8 to 10 per cent for unskilled gold workers and 9.75 and 13 per cent for coal miners – are above the inflation rate, currently at 7.5 per cent. But they are well below the NUM's original demands for 12-15 per cent increases.

Mr Juri Geldenhuys, president of the Chamber of Mines, said the agreement was testament to both sides' willingness to compromise.

Conflicts have erupted worldwide. The oceans are 'in crisis', the UN has been told

Fleets fight in over-fished waters

By Bronwen Maddox in New York

Ten Taiwanese fishing vessels impounded by Indonesia, British fishing nets slashed in the Bay of Biscay, Japanese fishermen shot at by a Russian gunboat, and an Icelandic trawler and Norwegian coastguard vessel exchanging fire – in the past month, fish have been prompting diplomatic incidents and thisshows no sign of ending soon.

Fears are growing that over-fishing is depleting even the most abundant species, while governments have so far failed to agree on ways to halt disputes. Canada, which has suffered some of the sharpest recent declines in its fish stocks, told a United Nations conference this month in New York that the oceans were "in crisis". However the conference, attended by more than 90 governments, ended on Friday night without consensus on how to conserve the seas' resources.

Nearly 30 separate conflicts have flared in the past year over rights to fishing. The catalyst for the disputes is that the amounts of fish caught appear to be declining in the past few years, following four decades of explosive expansion.

According to the UN Food and Agriculture Organisation, catches have risen more than fourfold from 1950 to a peak of more than 90m tonnes in 1989. But although precise figures are hard to establish, there are signs that worldwide catch levels have since dropped by several per cent.

That halting of the industry's expansion, many fear, reflects the growing scarcity of many types of fish. Environmental groups paint a vision of the oceans in the next century as a desert. Western countries may see staples of the kitchen cupboard such as tuna become expensive delicacies, they warn.

Asian and African governments are also becoming alarmed: fish accounts for between a fifth and a third of the animal-derived protein in their countries' diets, UN figures suggest, compared to only several per cent of those in Western countries.

Scarcity of some species has forced fishermen and consumers to turn to new types of fish. According to Greenpeace, while catch levels rose by a third during the 1980s, almost all of that rise came from just five species: Alaskan pollack, Chilean jack mackerel, Peruvian anchovies, and Japanese and South American pilchards.

The huge increase in the catch of fish since the 1950s has been driven partly by new technology. Fishing fleets home in on schools of fish using sonar and radar. Winches and motors to haul drift nets, which can contain more than 40,000 pounds of fish, have become more powerful, while nets have become longer, with the inclusion of nylon fibres which reduce tearing. Nets now frequently have mouths tens of metres wide, and can stretch for hundreds of metres.

But environmentalists also attribute some of the increase in catch levels to the changes in international fishing regulations more than a decade ago. The 1982 Law of the Sea pushed the boundaries of national waters outwards from 12 miles offshore to 200 miles.

The new rules, which brought more than three quarters of the world's fish within national waters, was followed by a doubling of the size of the world's fishing fleets, according to the UNFAO. Overcapacity – the total number of vessels is estimated at some three million – has pushed many parts of the industry into loss. According to the UNFAO, fishing fleets spent some $92bn in 1989. Revenue figures are hard to establish with precision, but UN figures and industry analysts suggest that they amounted only to some $70bn.

Much of the shortfall is plugged by billions of pounds in government subsidies. European Union countries alone spend nearly $600m a year, according to UN estimates. Countries fear that if they surrender national fishing rights they could lose tens of thousands of jobs. There is no shortage of examples to fuel their anxiety. At least 20,000 people working in the traditional cod fisheries of Newfoundland have been put out of work since the Canadian government banned fishing in 1992 in an attempt to boost depleted stocks. The government has since paid more than C$1bn (£400m) to support these communities.

The bitterest international rows in the past year have focused on "migrating" fish such as tuna and swordfish which travel thousands of kilometres through the high seas to feed and spawn. The past year's disputes have also including rights to "straddling" fish such as cod, herring and some types of squid, which migrate between coastal and international waters.

Mr Satya Nandan, Fiji ambassador to the UN and chairman of the conference, said last week that the required backing of two-thirds of the delegates should be achievable as "the overwhelming majority want a binding solution". Governments meet again in six months time. If the frequency of conflicts stays at its present level, they will have every incentive to overcome those differences.

Troubled waters: fishing disputes, clashes, poaching and piracy over the past year

1 US/China: Former threatens latter with possible trade sanctions over failure to bring fishermen into line with United Nations driftnet ban

2 Alaska: US fishermen set up blockade in support of demands for greater compensation following poor pink-salmon seasons due to the Exxon Valdez oil-spill disaster

3 Ecuador: Conflicts within national industry between commercial operations and traditional small-scale fishing

4 Caribbean: Poaching by the region's local industry and illegal fishing by Japan, Russia, Taiwan, US and Venezuela

5 Patagonian Shelf: Illegal fishing by Taiwanese and South Koreans; Argentinian gunboat sinks Taiwanese vessel after hot pursuit

6 South Georgia: Illegal fishing by Russians and Chileans in 200-mile zone

7 US/France: Former accuses latter of refusing to honour international agreements to conserve bluefin tuna

8 Flemish Cap/Grandbanks: Canada arrests the Kristina Logos, with Portugese crew sailing under Panamanian flag, for fishing banned sizes of flounder, cod, plaice and redfish

9 ICCAT area: Stock depletion from over-fishing by ICCAT members and from illegal fishing by non-parties to ICCAT, the international agreement to protect Atlantic tuna stocks

10 Senegal: Local industry protests that it is threatened by illegal fishing by European Union vessels

11 Ireland: Irish accuse Spain of illegal fishing in European Union conservation zone

12 Bay of Biscay: British, French and Spanish fishermen in dispute, sometimes violently, over methods used to catch tuna

13 Channel Islands/Isles of Scilly: Disputes between British and French lead to French trawlers' being excluded from rich lobster and other shellfish grounds

14 Scotland: Fishermen attack Russian trawler, destroying £250,000-worth of cod

15 Smuthsolet area: Iceland and Norway in dispute over Arctic rights in this so-called Escape Hole region outside control of Norway and Russia

16 BIOT area: Japanese longliner caught fishing illegally in British Indian Ocean Territory

17 Kerala: Traditional small-scale fishing under threat from area's emerging industrialised operations

18 Bay of Bengal: Pirate attacks on shrimp trawlers

19 Straits of Malacca: Malaysia confiscates illegal surimi trawlers

20 China/Vietnam: Long-standing dispute over rights exacerbated by Vietnamese arrests of Chinese vessels; each accuses the other of illegal fishing

21 Indonesia/Taiwan: 10 Taiwanese boats with 100 crew detained for allegedly fishing with improper licences

22 China/Taiwan: Poaching and piracy by both; reports of violent clashes leading to injuries and sometimes deaths

23 Peanut Hole: Russia fires at Japanese vessels for encroaching into its Exclusive Economic Zone

24 New Zealand: Dispute with foreign fleets over bluefin stocks, especially over Japanese fishing

25 Chatham Rise: New Zealand protests against illegal fishing, especially off Chatham Rise; also seizes Ukranian and Russian vessels in hoki fishery

26 North Pacific: Six North Pacific Anadromous Fish Commission vessels sighted driftnetting illegally

27 Bering Sea: Poaching by non-parties to international agreements: South Korea and Taiwan especially criticised

28 Donut Hole: Russia accuses US of illegal fishing in Bering Sea; China, Japan and South Korea also reportedly involved in illegal operations

Source: research by Indrani Lutchman, Fisheries Officer, World Wide Fund for Nature (WWF) UK

Spanish fleet goes to war over drift-nets

By David Gardner on the Spanish Basque coast

A thin curtain of drizzle, mist and diesel fumes hung over the wharf at Bermeo when dawn broke on Friday as the largest fishing fleet on the Basque coast hoisted from its holds its diminishing catch of Bay of Biscay tuna, the prized *bonito*.

The mood was sullen and aggressive. Posters and fly-sheets along the quay, and lapel badges throughout the Basque Country, proclaimed why: "Bolantarik Ez". No to the drift-nets – used by France's (often French Basque) fleet, with which the Spanish Basques have been skirmishing at sea since the Biscay *bonito* season opened in June.

"If this is not settled soon," says Mr Jose Manuel Gabantxo, president of the Bermeo Cofradia or boat-owners association, "then that's it; we're going to war. There could well be deaths and sinkings." Mr Gabantxo forecasts confrontation in October unless European Union fisheries minister agree to ban drift-nets at their meeting in Brussels on September 28.

The latest chapter in this six-year old conflict began in mid-July when trawlers from the Basque Country and Galicia surrounded a French vessel using a 5.7km drift-net – more than twice the standard EU limit – and forced it into a Spanish port.

Drift-nets, increasingly banned internationally, are mesh walls up to 20km long which indiscriminately entrap undersea life in their path. They scoop up the *bonito* effectively and cheaply as it migrates into the Biscay gulf in the second half of each year.

But much of the drift-net catch is undersize, thereby depleting the spawning stock which renews the shoals; an unquantifiable amount slips dead out of the nets; and great hauls of other species, including dolphin and blue shark, come up dead, to be thrown back into the sea.

"If we don't get rid of drift-nets now, the French will have killed off the fish stocks within four to five years, and this town will die," says Mr Gabantxo. But before that, he vows, "we will burn their lorries for as long as it takes, and the Spanish authorities know it".

Drift-nets, brought to Europe from the far east, allow the French to capture three times as much per boat as Spain's northern fleet, while using half the crew. Spain, meanwhile, is by far Europe's biggest consumer of fish. And its (mostly Basque) fish processors provide the main market for the fish caught by drift-nets.

The *bonito* are caught by rod, using live bait, or by *curricon*, a series of trawled lines with lures. The fish caught tend to be mature, fresh and whole, whereas drift-net tuna often lose their skin and turn bland because of the long churn through the water.

"These are methods which require a lot of people and a lot of professionalism," says Mr Leo Belaustegui, a fisherman of 30 years experience from Motrico, who points out that *bonito* crews habitually work 18-20 hours a day when at sea.

As a result, France had largely given up on Biscay tuna. But its southern Atlantic fleet was revived by the drift-net and the access to traditional Spanish fishing grounds conceded when Spain joined Europe in 1986. Five years ago, the Spanish Basque fleet landed 23m tonnes of *bonito* against 14m tonnes last year; France has in the same period climbed from virtually nothing to 7m tonnes.

"They're more profitable, but for how long?" asks Mr Gabantxo, whose Cofradia dates from the 14th century. "They say we're out of date, but with our traditional arts we have a future, which is better than exhausting the stocks in five years. The sea has to have continuity."

Support has come from across Spain: from ecologists, fish markets, housewives groups, neighbourhood and consumer associations, trade unions, and political parties scrambling on to the bandwagon. ETA, the armed Basque separatist group, scenting a populist cause it can hijack, wrote to the Cofradias in April offering to intervene. The Basque autonomous government, Madrid and Brussels have all had to react.

The main result so far is that from Thursday, tuna caught by traditional means will have a green aluminium logo clipped on the tail. This could be a useful marketing ploy. But for the foreseeable future it will not fill the gap in supply which sucks in imports from France.

Mr Gabantxo counters that supplies will diminish anyway if drift-netting continues, and that any gap should be filed with tropical tuna (which the Basque processing industry is already investing in).

But Mr Belaustegui, recently appointed a full-time union official in the port of Ondarroa, says: "The problem is not what method you use, but how you use it, and in particular how to create better working conditions while you conserve fishing stocks." If smaller, modified nets were used more discriminately, he asks, "maybe you can catch 20,000 kilos in 10 days instead of 20. The question then is are you going to be forced to work another 10 days for another 20,000?"

Japanese run gauntlet of Russian bullets

By Gordon Cramb in Tokyo

When Russian coastguards fired on a Japanese fishing boat this month, wounding a crew member in their move to impound the vessel, the incident provided a reminder of a territorial issue unresolved for 49 years.

It also indicated recent problems tempting Japanese fishermen into waters around the disputed Kurile islands, which they would otherwise avoid. Not only has Japan's ocean catch been declining, but the stronger yen has made seafood imports more competitive.

The ship belonged to the main fishing co-operative in Nemuro, north-eastern Japan, from where the Kurile chain arcs towards Siberia. The four islands nearest Japan were seized by the Soviet Union as the Pacific war ended.

Mr Yohei Kono and Mr Andrei Kozyrev, the countries' foreign ministers, are expected to discuss the Kuriles when they meet at the UN in late September. A lower-level Japanese delegation is due next week in Sakhalin, from where the disputed islands are administered, amid suggestions of a proposed interim solution to the fishing problem.

This would involve setting up an ostensibly private sector fund, the stated purpose of which would be environmental: to preserve marine resources in the region. In reality, it would channel revenue to Russia while allowing the boats of Nemuro and nearby ports to fish more widely in Kurile waters without making themselves a target for Russian bullets.

The Sakhalin administration is, however, conducting parallel negotiations with South Korea which, if Seoul bids higher, could accord its ships preferential access.

Imports of marine products into Japan have risen 36.2 per cent by volume in the last five years. Although these include frozen and processed foods, they were equivalent last year to nearly half the 7.2m tonne Japanese sea catch, which has fallen 30.8 per cent over the same period.

The Nemuro fishermen's association says the problem centres not so much on destocking of its waters but on cheaper imports, as well as the banning of certain types of net, and an almost one-third cut over five years in its salmon and trout quota under one of the few existing agreements with Russia. Its overall revenues have been halved from their early-1980s peak.

The Nemuro co-op, which runs some 3,000 mostly small vessels, has sought to compensate by going for higher-value seafood such as crab. As the crustaceans are less prevalent near its own shores, this means entering shallower waters around the islands.

While Russia tolerates deep-water fishing within 200 miles of its coastline, it rigorously enforces a 12-mile territorial zone and made clear this spring it would clamp down on poaching there.

An infringement of this zone ensnared a Nemuro ship a fortnight ago. One of its half-dozen crew, who now face trial, had an operation on the bullet wound. The shooting, which followed a similar incident late last year, triggered a Japanese embassy protest to the foreign ministry in Moscow.

So far this year Russia has detained 49 Japanese fishermen, up from 43 in the whole of 1993. Jail terms of a year or more are common.

Asian fleets roam in search of bluefin tuna

By Terry Hall in Wellington and and Nikki Tait in Sydney

Claims by environmentalists that New Zealand's valuable deep water fisheries are being over-exploited has led to a row with the government and fishing companies over the future of the NZ$1.2bn (£469.5m) export industry.

Last week, environmental group leaders stormed out of a special conference called by fisheries minister Mr Doug Kydd on the future of the industry. The government is trying to put in place a new control mechanism which will give the fishing companies more say in establishing sustainable quotas.

One of the most prominent issues in the region is the chronic over-fishing of southern bluefin tuna. Until the late 1960s the fish were plentiful, but then a global decline became apparent as Japanese companies increased their presence in the region.

Today, after intensive negotiations, the fishery is managed under a trilateral quota system between Australia, Japan and New Zealand. Japan pays an access fee to Australia, allowing it to catch part of its quota in Australian waters.

A big remaining worry is the rate and price at which the large Asian fishing nations, notably Japan, Taiwan and South Korea, are harvesting tuna in the 20m square kilometres of ocean controlled by the Pacific island countries.

This area provides around 50 per cent of the Japanese tuna catch. The Honiara-based Forum Fisheries Agency has calculated that access fees paid by the big Asian countries under bilateral agreements were only A$74m (£35.2m) in 1993, while the market value of tuna taken from Pacific waters was more than A$2bn.

Given the importance of revenue from fisheries access to some of the island economies – it accounts for 40 per cent of Kiribati's gross domestic product for example – deals struck under bilateral arrangements look low. The problem, moreover, may be compounded by significant under-reporting of catches from these waters.

Accordingly, there is a push, encouraged by Australia, to get the South Pacific nations to take a multilateral approach. A communique coming out the South Pacific Forum, an annual meeting of island nation leaders, approved the idea in principle this month, and fisheries ministers are due to meet later this year.

Falklands rivalry tests quick tempers

Diplomats in Buenos Aires must learn the mating and migratory habits of squid, writes John Barham

Argentina reacted furiously when the UK government last week announced a seemingly innocuous decision to extend control over a 547 square mile patch of ocean outside fishery control areas around the Falkland Islands.

The Argentinians declared they would not "tolerate, accept and much less consent" to the move.

The UK claimed poachers used this so-called "Gap" area as a bolt-hole. Even though the Gap lies within Falklands territorial waters, British officials say they tried to discuss the issue with Buenos Aires all year. The Argentinians kept postponing talks and the British decided to act unilaterally.

President Carlos Menem angrily said he would send patrol ships into the Gap, even though it lies outside Argentina's 200-mile territorial limit.

Although he played down the issue later in the week, the Falklands remain a contentious and sensitive issue.

British diplomats posted in Buenos Aires must master the intricacies of fishing data and develop a thorough understanding of the mating and migratory habits of Illex squid, the islands' main resource.

The Illex travels through Argentine and Falkland waters, so both sides now hold talks to share the catch.

They have learned to co-operate over protecting squid, to preserve what has become a very big industry. They swap catch data, establish quotas and keep each other posted about the position of poachers.

Although Falklanders sneer at Argentina's inability to patrol its waters effectively, the coast guard is notoriously aggressive. Trigger-happy captains often pepper poachers with gunshot.

Last May, a Taiwanese ship sank after fleeing into Falkland waters when a coast guard cutter fired on it.

Licence sales are a vital revenue source for the Falklands. This year's fish licence sales of £24.1m make up nearly two-thirds of government revenues. However, this is a far cry from the boom years of the 1980s. In 1989, the islands raked in a record £28.8m from fisheries. Next year, the islands do not expect to sell more than £16.6m worth of licences.

The main reason for this is competition from Argentina which recently launched a rival licence regime of its own, selling 60 licences this year, priced to undercut the Falkland licences.

Furthermore, this year's Illex season was exceptionally bad. Ships caught only 67,000 tonnes in Falklands waters against an historical average of 165,000 tonnes. Both Argentina and the islands closed the Illex season early to preserve the stocks.

In addition, a fisheries agreement between Argentina and the European Union has led to a big increase in catches.

The pact allows European vessels to enter Argentine waters once closed to foreign ships in exchange for grants and privileged access to EU markets. Brussels wants to find new fishing grounds outside European waters, mainly to benefit Spain's big fishing fleet.

In 1993, 915,500 tonnes of fish were caught in Argentine waters, 126 per cent more than five years earlier. Although these statistics are not reliable, they do indicate a rising trend in fishing effort.

Argentina now exports more fish than beef. Fish export revenues last year rose 18 per cent to $660m.

Hake accounted for nearly half Argentina's 1993 catch of 422,000 tonnes, an increase of 14 per cent over 1992. Squid volumes rose 150 per cent to 194,000 tonnes.

But Mr Julio Torre, the editor of Redes, a fishing trade publication, warns: "Catches are reaching their limits for several species, especially hake. Blue whiting and squid are also approaching their limits. For the first time, this region is reaching its limit."

Although fishing has become a big earner for Argentina, its under-funded and overstretched navy, air force and coast guard are unable to prevent poaching.

It is anyone's guess how much fish is really caught in the South Atlantic.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.
1986	13.5	8.3	6.49	7.67	3.43
1987	11.6	6.5	6.82	8.39	3.12
1988	4.3	5.2	7.65	8.84	3.61
1989	1.0	3.9	8.99	8.49	3.43
1990	3.7	5.3	8.06	8.54	3.60
1991	5.9	3.3	5.87	7.85	3.21
1992	12.4	2.4	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.78
3rd qtr.1993	12.2	1.4	3.18	5.61	2.78
4th qtr.1993	10.5	1.4	3.34	5.59	2.73
1st qtr.1994	9.8	2.2	3.52	6.06	2.75
2nd qtr.1994	7.5	2.1	4.40	7.07	2.90
August 1993	12.2	1.3	3.18	5.58	2.78
September	11.7	1.4	3.16	5.35	2.73
October	10.9	1.1	3.26	5.32	2.71
November	10.4	1.4	3.40	5.70	2.74
December	10.1	1.7	3.35	5.74	2.74
January 1994	9.7	2.0	3.20	5.71	2.72
February	10.0	2.1	3.49	5.97	2.74
March	9.8	2.5	3.84	6.47	2.80
April	9.0	2.7	4.05	6.94	2.91
May	7.0	2.1	4.54	7.17	2.91
June	6.5	1.7	4.57	7.09	2.89
July	6.2	1.9	4.75	7.28	2.91

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	5.0	9.3	6.82	6.51	n.a.
1986	6.9	8.2	5.12	5.35	0.84
1987	10.5	11.5	4.15	4.84	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.22	0.46
1990	2.8	8.5	7.62	6.91	0.65
1991	6.2	2.0	7.21	6.57	0.75
1992	4.5	−0.4	4.28	5.25	1.00
1993	3.0	1.4	2.83	4.18	0.87
3rd qtr.1993	3.3	1.9	2.83	4.25	0.80
4th qtr.1993	3.5	1.4	2.14	3.57	0.84
1st qtr.1994	4.7	1.9	2.05	3.88	0.82
2nd qtr.1994	5.2	1.5	2.07	4.05	0.76
August 1993	3.5	1.7	2.93	4.27	0.79
September	2.8	1.9	2.46	4.09	0.79
October	3.7	1.8	2.30	3.85	0.80
November	3.3	1.5	2.22	3.64	0.84
December	3.4	1.4	1.90	3.25	0.89
January 1994	4.2	1.8	1.98	3.34	0.85
February	4.8	1.5	2.05	3.60	0.80
March	5.2	1.9	2.13	4.08	0.79
April	5.9	2.2	2.13	4.03	0.80
May	5.0	1.7	2.08	3.90	0.78
June	4.7	1.5	2.01	4.24	0.72
July	6.7	1.8	2.02	4.32	0.73

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.4	5.1	5.45	6.94	n.a.
1986	9.5	8.7	4.64	5.90	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.8	8.4	4.34	6.46	2.61
1989	6.3	5.7	7.11	6.94	2.22
1990	4.5	4.5	8.49	8.71	2.11
1991	5.1	5.6	9.25	8.44	2.38
1992	7.0	8.2	9.52	7.77	2.45
1993	9.4	7.9	7.28	6.44	2.11
3rd qtr.1993	9.9	8.1	6.82	6.34	2.01
4th qtr.1993	8.6	7.5	6.34	5.83	1.79
1st qtr.1994	11.1	11.6	5.88	5.93	1.75
2nd qtr.1994	11.3		5.28	6.71	1.72
August 1993	10.1	8.3	6.62	6.34	1.98
September	9.5	7.3	6.63	6.12	1.98
October	9.2	6.4	6.64	5.93	1.86
November	8.4	7.3	6.31	5.86	1.82
December	8.1	8.8	6.11	5.71	1.69
January 1994	11.8	11.4	5.90	5.63	1.71
February	11.0	11.9	5.91	5.87	1.77
March	10.5	11.4	5.84	6.27	1.76
April	11.6	10.8	5.81	6.43	1.88
May	11.2	10.8	5.20	6.63	1.87
June	11.3		5.07	7.05	1.80
July	9.7		4.97	6.90	1.79

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	6.2	7.4	10.03	11.74	n.a.
1986	6.9	6.6	7.79	8.74	2.65
1987	4.1	9.8	8.26	9.46	2.75
1988	3.9	8.5	7.94	9.08	3.59
1989	7.5	9.5	9.38	8.79	2.98
1990	3.8	9.2	10.32	9.92	3.19
1991	−4.8	2.7	9.62	9.08	3.58
1992	−0.2	5.5	10.38	8.57	3.55
1993	1.3	−1.7	8.55	6.75	3.21
3rd qtr.1993	−0.7	0.5	7.74	6.36	3.14
4th qtr.1993	1.3	−1.7	6.74	5.92	3.01
1st qtr.1994	3.0	−4.3	6.29	5.99	2.85
2nd qtr.1994	3.5	−3.2	5.73	7.03	2.97
August 1993	−1.3	0.6	7.93	6.33	3.06
September	−0.7	0.5	7.29	6.12	3.06
October	0.5	−0.2	6.99	5.95	3.02
November	−1.5	−1.1	6.74	6.02	3.07
December	1.3	−1.7	6.52	5.79	2.94
January 1994	2.1	−2.9	6.31	5.66	2.82
February	2.7	−3.9	6.30	5.93	2.81
March	3.0	−4.3	6.25	6.37	2.90
April	5.8	−3.8	6.01	6.65	2.89
May	1.9	−4.5	5.65	6.94	2.88
June	3.8	−3.2	5.57	7.48	3.14
July			5.65	7.38	3.09

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.
1986	10.5	8.2	13.26	11.47	1.41
1987	10.4	9.8	11.32	10.58	1.94
1988	7.8	6.9	11.24	10.54	2.71
1989	7.1	8.2	12.41	11.61	2.46
1990	9.3	9.1	11.88	11.87	2.84
1991	7.3	8.0	11.83	13.20	3.45
1992	6.7	7.5	13.86	13.29	3.63
1993	4.4	7.0	10.22	11.23	2.35
3rd qtr.1993	4.9	7.8	9.36	10.27	1.89
4th qtr.1993	7.1	7.9	8.89	9.10	2.02
1st qtr.1994	7.7	7.6	8.42	8.99	1.80
2nd qtr.1994	9.3	7.5	7.56	9.84	1.54
August 1993	5.2	8.0	9.35	10.08	1.83
September	6.1	8.7	9.16	9.68	1.85
October	5.4	7.3	8.87	9.04	1.94
November	8.4	8.6	8.08	9.34	2.15
December	7.4	7.8	8.72	8.94	1.97
January 1994	5.9	6.6	8.44	8.89	1.88
February	7.7	7.6	8.37	8.78	1.74
March	9.8	8.5	8.43	9.46	1.77
April	10.5	8.4	8.11	9.07	1.58
May	9.4	7.2	7.80	9.38	1.49
June	7.6	6.7	8.03	10.46	1.57
July			8.43	10.70	1.54

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.7	13.2	12.32	11.03	n.a.
1986	4.0	15.3	11.02	9.97	4.35
1987	4.7	14.6	9.77	9.52	3.60
1988	6.8	17.0	10.41	9.68	4.48
1989	5.9	17.5	13.96	10.30	4.36
1990	5.3	16.1	14.82	11.53	5.07
1991	2.4	8.0	11.58	10.04	4.97
1992	2.4	5.1	9.73	9.09	4.91
1993	4.8	3.6	5.99	7.40	4.01
3rd qtr.1993	5.3	3.5	5.96	7.13	3.91
4th qtr.1993	5.5	4.3	5.61	6.61	3.75
1st qtr.1994	5.5	5.4	5.31	6.72	3.57
2nd qtr.1994	6.8	5.5	5.23	8.12	4.00
August 1993	5.5	3.8	5.91	7.00	3.65
September	5.5	3.5	5.96	6.91	3.88
October	5.4	3.7	5.63	6.61	3.81
November	5.1	4.5	5.98	6.77	3.84
December	5.9	4.8	5.40	6.28	3.61
January 1994	6.2	5.1	5.44	6.22	3.46
February	5.5	5.4	5.27	6.61	3.49
March	6.7	5.7	5.23	7.29	3.74
April	6.0	5.6	5.29	7.66	3.87
May	7.0	5.4	5.22	8.13	3.98
June	6.9	5.6	5.18	8.54	4.16
July	6.5	4.8	5.29	8.38	4.11

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

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NEWS: UK

Mobiles overtake fixed phones

By Andrew Adonis

Mobile phones are enjoying such a boom in the UK that new cellular phone connections are racing ahead of connections to traditional fixed phone networks.

The net number of new connections to mobile networks overtook fixed network connections to British Telecom and the cable TV companies last December, on a surge of pre-Christmas mobile phone buying.

Analysts expected that after Christmas the mobile phone tide would ebb. But the cellular industry has stayed ahead every month this year except January in what is clearly a significant turning point for the telecommunications industry.

The UK's four cellular networks have about 2.6m subscribers compared with BT's 26m and about 500,000 for the cable companies. On current trends, the gap between numbers of subscribers on fixed and mobile networks will progressively narrow, in spite of sustained growth in the number of fixed fixed-line connections.

It took the UK's cellular operators eight years from their launch in 1985 to attract their first 1.4m customers. The number of subscribers has almost doubled since the start of 1993, with the increase running at more than 50 per cent a year.

The figures reflect a change in the perception of mobile phones, which are no longer seen as the plaything of well-off yuppies.

Recent advertising campaigns by the mobile operators have been pitched at mainstream consumers, and one of the four networks – Mercury One-2-One – claims to be in direct competition with BT by offering free local mobile phone calls on its networks in the evenings.

In reality, all the mobile networks are vastly more expensive to use than their fixed counterparts, when allowance is made for monthly subscriptions of up to £28.75 and the high cost of phone calls, handsets and initial connection.

However mobile prices are falling rapidly, with call charges down by as much as a third over the past year and handsets widely available for less than £100.

Competition is also intensifying, with two new networks – Orange and One-2-One – being launched in the past year to compete with established operators Vodafone and Cellnet.

BT, which has a 60 per cent stake in Cellnet, is now adding new mobile customers more than two-thirds as fast as it is gaining fixed-line subscribers.

With nearly five mobile subscribers per 100 people, the UK boasts a higher density of mobile phone users than any other European country outside Scandinavia, where the figure is about 10 in 100.

However, the same trend is evident across Europe. According to the FT's mobile communications newsletter, the number of mobile phone users has risen by 60 per cent across western Europe in the past year, with more than 4m new subscribers added to networks.

Hospitality plan floated for royal yacht

By Robert Peston

The royal family will only have a new yacht to replace Britannia if big companies are prepared to use it for corporate entertaining, according to a joint letter from the the Department of Trade and Industry and Foreign Office, which has been leaked to the Financial Times.

The letter, from Ray Mingay, director-general of export promotion at the DTI, asks the chairmen of big companies whether they would rent a new yacht for "promoting your products to potential buyers, receiving potential foreign buyers and signing ceremonies for prestigious contracts".

An almost identical letter from another official, also explicitly lists "entertaining foreign business partners and potential partners" as a use.

Mr Mingay continues: "The President of the Board of Trade [Mr Michael Heseltine] has asked that assessment of potential demand for a replacement yacht be kept discreet and be completed quickly." Replies are requested by mid-September.

The private sector can currently use Britannia during "sea days", when the boat is used as part of government-sponsored export initiatives.

But the letter says that any replacement would be run on more stringent commercial lines. Sent on the instructions of Mr Heseltine, it says "the charge for hiring the yacht would be required to recoup a proportion of the running costs." The letter estimates these running costs at £5m a year.

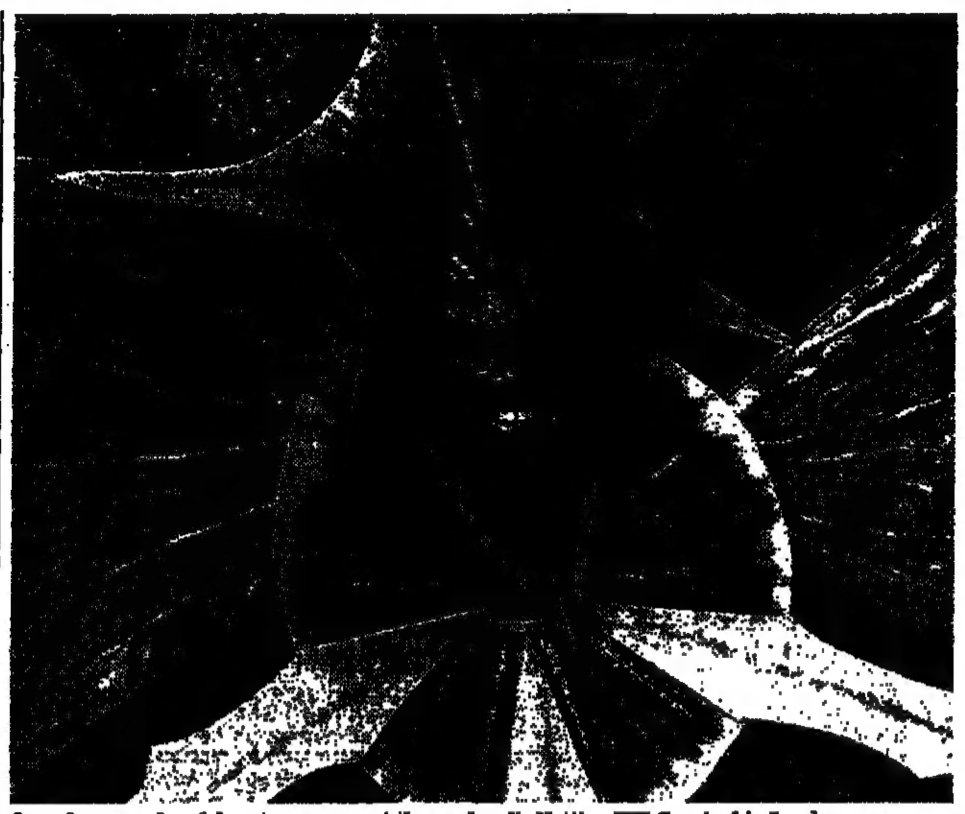
Companies would pay less if the boat were moored in the Pool of London than if they hired it for a "sailing event" or for sending it to "an overseas moored event".

The government is currently deciding whether to spend an estimated £60m on buying a new yacht to replace Britannia, which is due to be decommissioned in 1997.

Though the DTI and the Foreign Office want the government to make the investment, they are meeting stiff opposition from the Treasury.

Access to the new yacht would be restricted to "prestigious companies", so that its "exclusivity" will be preserved.

One chief executive said: "I think its a marvellous idea. The royal yacht would be the glitziest corporate hospitality venue in the world."



One of many colourful costumes seen at the weekend's Notting Hill Carnival in London Press Association

Carnival flavour in west London

Around a million people packed into west London yesterday for the final day of the Notting Hill Carnival, claimed by organisers to be Europe's largest annual street festival.

Police said they expected at least 800,000 people to crowd into the area – four times as many revellers as visited the carnival on Sunday.

The carnival, now 29 years old, was founded by Trinidadians and modelled on the famous carnival in Trinidad at the start of Lent. The budget for the carnival organisers is is around £250,000, while last year's budget for policing was in excess of £3m.

● Six people were taken to hospital with whiplash injuries today following an accident on the Avalanche funfair ride at Blackpool's pleasure beach in northern England.

The accident comes just weeks after more than 20 people suffered slight injuries in an accident on The Big One, the world's highest and fastest roller coaster, also in Blackpool.

Britain in brief

Hume looks beyond IRA ceasefire

Mr John Hume, leader of the mainly Catholic Social Democratic and Labour Party, yesterday called for talks with Sinn Féin, the IRA's political wing, to begin as soon as possible after a genuine end to IRA violence.

As speculation continued to mount that the IRA may be about to call a general ceasefire, the air of optimism was reinforced by Cardinal Cahal Daly, leader of the Irish Catholic church, who said Northern Ireland could be on the brink of the best opportunity for peace in 25 years.

But the mood was dampened by unionist leaders who voiced fears that Britain might be preparing to make concessions in return for a ceasefire.

Mr James Molyneaux, the Ulster Unionist party leader, is likely to raise such concerns with Mr John Major at a meeting expected to be held in a few days. Downing Street said last night however that there was no guarantee this meeting would take place this week.

Last-minute shipyard talks

Mr Roger Freeman, defence procurement minister, yesterday invited the sole prospective bidder for Swan Hunter, the Tyneside shipbuilder in receivership, to last-minute talks about its future.

Mr Freeman said he was very disappointed that Constructions Mécaniques de Normandie had rejected the MoD's latest proposals, concerning the price at which Swans' existing MoD frigates contract would be transferred to CMN.

The MoD said: "Mr Freeman hopes that in the interests of the future of the yard, CMN will be prepared to meet him shortly."

Speaking from St Tropez yesterday evening Mr Iskandar Safa, principal shareholder in CMN's parent company, Soffia, said he was willing to take up Mr Freeman's offer of a meeting but would first reach a decision on whether to pursue his acquisition of Swans.

Firms plan to relocate

More than a fifth of UK companies expect to relocate in the next five years, with Bristol, Edinburgh and Nottingham the top three choices for businessmen planning a company move, according to a survey published today.

Wigan, Sunderland, Bradford, Liverpool and Belfast were the least popular of the 40 cities considered by companies.

London ranked 18th behind Manchester, Birmingham, Leeds and Newcastle-upon-Tyne.

The survey, by Black Horse Relocation, part of Lloyds Bank, and Management Today magazine, received responses from chairmen, chief executives and other senior directors of 536 companies. Ten companies had annual turnovers of more than £100m and four employed more than 5,000 staff.

Doctors oppose pay changes

Doctors will step up opposition to proposals for performance related pay in the National Health Service at a special conference in London tomorrow.

The British Medical Association has called representatives from every hospital in the country to the meeting, to discuss an issue that is bringing the medical profession into renewed confrontation with the government.

Ministers have declared that a shift from the NHS's centralised pay structure to locally determined, performance based pay must start this year.

But the BMA regards the timetable as "impractically short" and the principle of performance pay as "totally inappropriate to the work of the medical profession".

Mining assets sale attacked

The government is attempting to sell "worthless mining assets" to prospective buyers of British Coal, according to an industry newsletter published today.

Coal UK, a Financial Times publication, says the Department of Trade and Industry has included opencast assets in the sale which were refused planning applications and appeals some years ago.

The worst affected of the five regions being put out to tender is central north, where 80 per cent of what the DTI has described as "fully proven" opencast reserves have failed to gain approval for exploitation in the past, according to Coal UK.

The south Wales region includes Colliers' Row, which Coal UK says was notorious as the only site to have been refused planning permission by an energy secretary after it had gained all other necessary permissions.

Review of Lady Archer's role

Lady Archer will not be "precipitately" removed from the Anglia Television board, following disclosures about share orders placed by her husband, Lord Archer, according to a director of MAI, which bought the company in January.

However, MAI is reviewing her actions in the days prior to the January 18 public announcement of its takeover of Anglia. Directors want to reassure themselves that she followed normal corporate procedures, as laid down in Stock Exchange rules and the Companies Act, relating to spouse's share dealings and the protection of confidential price sensitive information.

Her husband, a former Conservative Party deputy chairman, placed orders to buy 50,000 Anglia shares on January 13 and January 14, netting an £80,000 profit for an acquaintance, Mr Broosk Saib, when they were sold on January 18. Lord Archer's share orders were investigated by Department of Trade and Industry inspectors. The DTI last month decided to take no further action against Lord Archer.

MANAGEMENT: THE GROWING BUSINESS

Erskine Bowles, the top US small business policy maker, speaks to **Richard Gourlay**

Change of style and substance

Erskine Bowles, administrator of the US Small Business Administration, is having a rough ride in Washington.

Bowles has been besieged by critics of President Clinton's healthcare programme. In particular, he is feeling the heat from small business lobbyists upset that he is supporting the president's call for the so-called "employer mandate", which would force employers to pay some of their employees' healthcare insurance premiums.

"We have had a big bump in the road called healthcare which has hurt the credibility of Erskine Bowles and the SBA," says Jack Faris, president of the National Federation of Independent Businesses.

But the flak directed at the Bowles healthcare stance has obscured the fact that big changes both in style and substance are taking place at the SBA.

There is little doubt that an agency, that was for years a backwater led by a string of failed senatorial candidates, has been enjoying something of a renaissance.

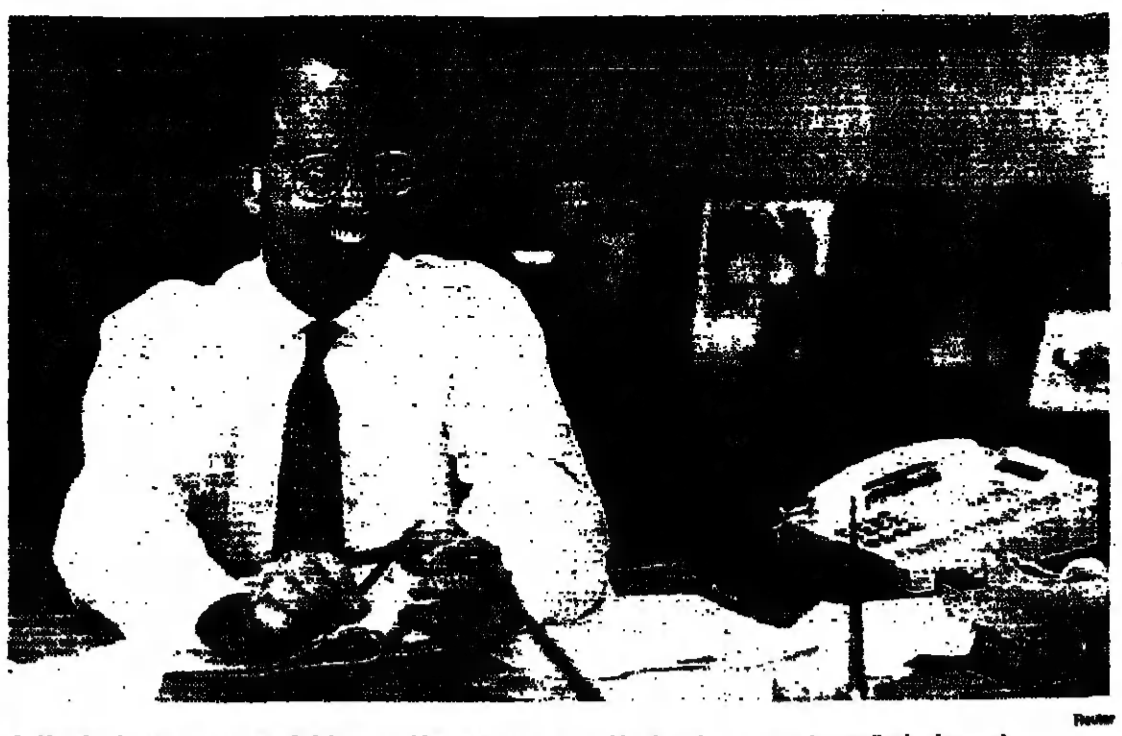
Bowles arrived in Washington as a political outsider. Armed with real business experience first at Morgan Stanley, the investment bank, and then at the North Carolina bank he set up to serve small and medium-sized enterprises, he caught the president's eye during the election campaign.

Bowles was appointed to the White House's influential National Economic Council, the first time an SBA administrator had been included at that level of policy making. "The SBA has historically been moribund," says Bowles. "For eight years Reagan tried to get rid of it and for four years Bush ignored it." Now, Bowles says, the SBA has direct access to the president and can act as his eyes and ears in the small business community. And the seat on the National Economic Council means the SBA can provide an input before policy is made.

The SBA's starting point is that smaller businesses are creating more jobs than big business in the US, a view that has altered little in the wake of recent studies which suggest this case is over-stated. The latest assault on this conventional wisdom came in March from economists working under the auspices of the Commerce Department who questioned if there was any relationship between the size of manufacturing companies and their ability to create jobs.

But the administration remains convinced that smaller companies are the engine of the economy. "My bottom line is jobs – and not just any jobs, good jobs," Bowles says. "The jobs are created by the private sector, by smaller businesses." But the SBA is trying to focus its scarce resources more on those companies most likely to create jobs.

Bowles's most immediate impact has been to reduce the bureaucracy surrounding the agency's largest offering, the Loan Guarantee Programme, which is available to businesses refused credit by banks. "I have heard people say: 'I would rather throw up than borrow from the SBA'," Bowles says. A new programme, called Lowdoc, has dramatically reduced the time businesses need to prepare applications for smaller loans. With a simple one-page application for loans under $100,000 (£67,000), rather than one that required the help of a consultant to complete, businesses are returning to the programme, Bowles says, a view supported by the small business lobby. The programme is now expected to guarantee more than $8bn in 1996, against $6.5bn this year.



Erskine Bowles: 'My bottom line is jobs – good jobs. They are created by the private sector, by smaller businesses' Reuter

Responding to a growing lament that small businesses are "most starved for working capital", Bowles is also making the SBA's working capital guarantee more flexible and more like a private-sector revolving facility.

The administration has also successfully supported the introduction of a more user-friendly version of its Small Business Investment Company programme, an unusual partnership between government and venture capitalists, described in the article below.

Such enthusiastic application is something that has not been associated with the SBA. The change has been welcomed by groups such as the National Small Business United, a lobbying organisation which represents larger businesses than the NFIB. John Galles, its executive vice-president, says Bowles has "galvanised the SBA and given it a new sense of mission".

Faris says Bowles should be applauded for speeding up the Loan Guarantee Programme process and for moving SBA staff from Washington closer to the customer at district level. But he says small businesses are far more concerned by the "alphabet soup of government agencies like the Environmental Protection Agency and the Occupational Safety and Health Administration". By comparison to the ills these agencies can visit on small businesses, the SBA's contribution is marginal, he says.

Bowles recognises the problem and has made the attack on regulations a priority. He has set up regular judicial reviews to look at the implications for small businesses of new legislation.

But whether his attack on red tape will be believed is open to question. The doubt stems, again, from his healthcare position which critics say would heap extra costs on the shoulders of small business.

"We were impressed [by Bowles' seat on the National Economic Council] until he started arguing on healthcare reform," says Faris. "We are not sure now he is a good thing for small business."

Government as venture capitalist

What do Intel, Apple Computer, Cray Research and Federal Express have in common? All are now Fortune 500 companies. But in their youth they also all received financial help from a hybrid venture capital programme that brings the private sector together with the US government.

Despite recent problems, the Small Business Investment Company programme has proved a valuable way to get development capital to early-stage companies in the US but is a model that most governments elsewhere have chosen not to imitate.

The programme was set up in 1958 after a Federal Reserve Board study found that long-term loan and equity finance was not generally available to growing companies. Led by the Small Business Administration, the SBICs have invested more than $10bn (£6.4bn) of private and public funds in 73,000 small businesses.

But despite the list of illustrious names with which SBICs are associated, the programme has not had a happy recent history. The recession prevented many companies backed by SBICs from maturing and distributing profits. At the same time the SBICs still had to pay interest on the government-guaranteed debentures they had issued. Caught in a cash squeeze and dogged by poor management, many of the SBICs failed, leaving the taxpayer to pick up the losses.

The Clinton Administration is now trying to revitalise the programme. Early this year it announced a new funding mechanism that should eliminate the SBICs' cashflow squeeze. The new government-backed security will be in the form of a redeemable preferred stock, or participating security, on which payment will only be made when the SBICs have retained earnings from their investments.

According to Robert Stillman, the SBA's associate administrator for investment, the 56 venture capitalists wanting SBA licences for new SBICs want to invest $1bn of equity in the new companies.

The SBICs are privately owned and run. But for every dollar the private sector commits to them the government provides up to three.

And because the government only looks for an all-in return of about 11 per cent on its investment, compared with one well above 20 per cent sought by private-sector venture capitalists, the overall cost of capital to the early stage company is reduced.

The scheme has congressional approval for $550m until the end of 1995. But it may need an appropriation of more than $3bn over five years to match the private sector's apparent enthusiasm, a commitment Congress may not have fully taken on board.

Supporting its pitch to Congress, the SBA says SBICs have been a cheap way of creating jobs. Policy makers outside the US, who are pondering whether an equity gap exists in their countries, will be interested in the Small Business Administration's definition of a small business. The SBICs are allowed to invest in businesses that are relatively well-established but the SBA believes they still lack access to capital. Investments can be made in companies with a net worth of up to $18m or $6m of post-tax profits, although 20 per cent of funds are allocated to companies making up to $2m.

With investment limits set at this level, some observers say the SBICs are doing little more than provide government-subsidised capital to ventures that would have raised the finance anyway. Would Federal Express, for example, which raised about $50m in venture capital in a first tranche, really not have taken off without an SBIC investment?

Erskine Bowles, the SBA administrator, says there is no way of proving that the SBIC programme is not replicating what the market is already offering. But he insists it will introduce equity into companies that would not otherwise have raised capital.

The SBA is also trying to strengthen the SBIC programme by requiring private-sector partners to put up more capital and by applying a more rigorous quality test to the venture capitalists applying for licences.

But in the most novel development, the new mechanism will give the government a share of profits in successful investments. One can only speculate how much higher the SBA's stock would have risen had this equity kicker been in place when the SBICs backed Intel, Apple and Federal Express.

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In a Nutshell

High-tech conferences

Fans of high-technology companies, their problems and what they can bring to the world, have an embarrassment of riches this autumn.

A high-technology, small-firms conference on September 19-20 hosted by Manchester Business School* aims to promote contacts between policy makers, industrialists and academics.

The conference includes a French contribution underlining the lack of advantages small companies enjoy as technology grows more complex, a US look at the role of Federal laboratories as industrial partners, and a "lesson" in high-technology new-product development from International Business Machines.

On October 11, Warwick Business School** is holding a one-day seminar comparing the performance of high-technology companies on and off UK science parks. An HMSO publication on the issue will be published the same day.

**Manchester Business School, tel 061 275 6537.*

***Warwick Business School, tel 0203 523741.*

Cheque clearance system explained

A Barclays Bank pamphlet aims to explain the mysteries of the cheque clearing system for business customers.

The bank says 44 per cent of small businesses do not know how long it takes their bank to clear a cheque. The answer is five days for cheques paid in at the account holder's Barclays branch and six for cheques paid in elsewhere.

British banks are governed by the 1882 Bills Exchange Act which means more than 8m cheques travel British roads every day. The act calls for cheques to be returned to the banks on which they were issued. Bankers are hoping a move to truncate this antiquated process will be included in the Queen's Speech in November.

TECHNOLOGY

What's the object?

Tom Foremski says the answer to making tailored software in record time is close at hand

Technology that could solve one of the biggest problems facing computer users – the length of time that it takes to develop application programs tailored to the specific requirements of a business – is on the horizon. Recently, Taligent, a joint venture between IBM, Apple Computer and Hewlett-Packard, unveiled the results of a six-year effort to develop "object technology" that could revolutionise the way software programs are created.

Taligent is one of a handful of companies pursuing the goal of creating a set of rules that will enable software developers to create unique programs through the use of software components known as objects. Software objects will work together in much the same way that off-the-shelf semiconductor chips can be used to build a desktop personal computer or a multi-billion dollar supercomputer.

Object technology could have an enormous impact if it fulfils its promise of faster applications development. A survey of Fortune 1,000 companies by Taligent in 1993 found that, in many cases, the time taken to develop a custom application can eclipse the business opportunity it is designed to support.

"One large company told me that during the 12 months it would take to rewrite the software for their billing systems, they would lose more than $1bn [£600m] in revenues," says Bud Tribble, vice-president of SunSoft, Sun Microsystems' software subsidiary. The contribution of object technology would be seen as having made a "profound change in our industry".

However, the development of object technology – in which software code is reused as much as possible by creating self-contained programs (objects) for specific tasks – has not been easy. The concepts were pioneered at Xerox's Palo Alto Research Centre. Xerox researchers developed SmallTalk, the first object-based software language, in the 1970s.

The first company to offer a commercial object operating system was Next Computer, founded in 1985 by Apple co-founder Steve Jobs. Next is currently the market leader with its NextStep software used by customers in financial markets such as Chrysler Financial, the credit arm of US car manufacturer Chrysler, and in healthcare markets by companies such as Abbott Labs.

Apple began work on its object software system, code-named Pink, in the late 1980s. It then formed Taligent with IBM in March 1992 to finish the project. Hewlett-Packard joined Taligent in early 1994 with the purchase of a 15 per cent stake.

Microsoft, the world's biggest software company, has also been working on developing object-based software for the past three years with its object linking and embedding technology. It plans to introduce an object-based operating system (code-named Cairo) in 1996, giving its popular Windows system software the ability to support object software applications.

"We believe that object technology represents the industrial revolution of software development and that it will be essential for business application development," says Paul Flessner, senior product manager for enterprise computing at Microsoft. Many US computer companies plan to offer object-based software development systems believing that it will help sell hardware.

Tim Bailey, strategic program manager for objects at Hewlett-Packard, says: "There is a tremendous demand for objects among our customers. The potential benefits to organisations from object technology are impressive." Jobs, for example, claims that an 18-month software development project could be cut down to two months or less with NextStep.

While there are many supporters of object-based software development, not everyone is convinced about the dramatically faster application development claims. "It's a standard salesman's pitch," says William Zachmann, president of Canopus Research. "Companies have been making such claims since the 1960s and 1970s. The fact is that developing these custom applications is very difficult. There are numerous layers of complexity that have to be dealt with. There is no guarantee that object technology will make this job easier."

In order for object-based software to become more widely used, several issues have to be settled. These include the definition of industry standards. The main standards effort is being led by the Object Management Group (OMG), an organisation with more than 420 member companies, and its Common Object Request Broker Architecture (Corba) standard. But there is no guarantee that the Corba standard will be followed by everyone.

Microsoft, for example, is a member of the OMG and says it will support industry standards, but it is nevertheless developing its own specifications which are different from Corba. Next is also hoping that its NextStep software will become an industry standard.

Uncertainty over which object technologies will succeed has led some companies to back several at once. Hewlett-Packard intends to offer object-based systems from Taligent, Microsoft and Next.

"We have an open object strategy," explains Bailey. "Different markets are using different tools. Finance companies, for example, are using NextStep while communications companies are using C++ [an object computer language]. We are following our customers."

Digital Equipment Corporation, the US computer maker, is pursuing a similar strategy. It has agreed to offer NextStep on its computers but it also plans to support Microsoft's object-based software.

Sun Microsystems has chosen to stick with one company and has made a $10m investment in Next. It will combine NextStep with its own object technology called Distributed Objects Environment.

Education is another issue that must be considered. "Training and mentoring services are very important to ensure that customers succeed with object technology," says Richard Dym, vice president of marketing at ParcPlace Systems, the developer of SmallTalk-based application development tools.

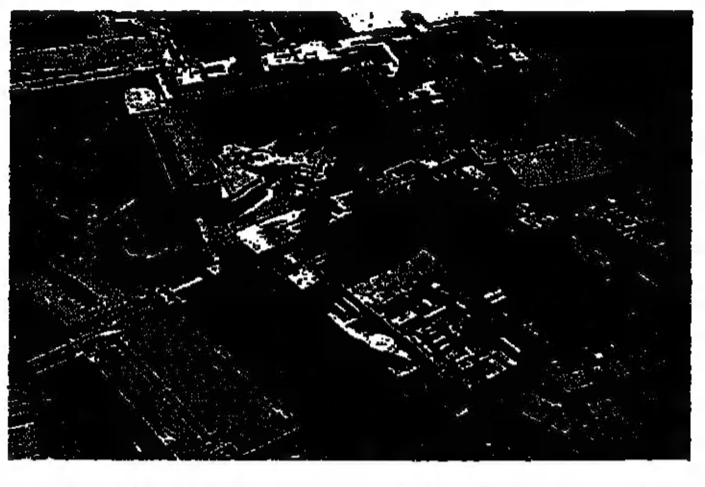
Training is important because object-based software development represents a radical departure from the way most programmers have been taught to write applications. "Some programmers just aren't open to change and they don't want to be retrained," says Flessner.

To undertake a serious object-based software development effort, companies would need to retrain some of their programmers and then spend a year or more planning and developing the first object applications. Even then, the cost/benefits of using object technology might not be seen until well into the second or third year.

Building a new home for scientists

Clive Cookson and **Andrew Taylor** visit Glaxo's £700m drug research centre

Britain's biggest building project after the Channel Tunnel, Glaxo's £700m drugs research centre (pictured right), is approaching completion in Stevenage, 30 miles north of London. Unlike the Chunnel, it is on schedule, below budget and there have been no fatalities nor serious injuries.



Glaxo is creating the spacious 73-acre research campus on one of the last big greenfield sites left in south-east England. It will house 1,500 scientists and support staff who now work in overcrowded and out-dated laboratories in Ware, a few miles from Stevenage, and Greenford, west London.

The success of Glaxo and its contractors in controlling the project's costs and timing, while maintaining an outstanding safety record, is an object lesson for the construction industry.

The Stevenage project exemplifies many of the recommendations for improved working relationships, made last month by Sir Michael Latham in his government-sponsored report on the building industry. In particular, the integrated management structure provides a high level of control over the design and construction process.

The design phase involved 350 engineers, architects and cost estimators, based in the London offices of consulting engineers Ove Arup. Sub-contractors used the project team's computer-aided design models to develop their own drawings. The London base is linked electronically to the Stevenage site, so that any last-minute design changes are immediately notified to everyone concerned.

"The project is managed like a company's board," says Richard Haryott, senior Arup director for the Stevenage project. "Glaxo acts as chairman, with the the other professionals playing a full role in decision making."

The overall architectural planner is the Kling Lindquist Partnership of Philadelphia, chosen because Glaxo liked the way it designed the company's US research headquarters in North Carolina. The Stevenage campus is emerging with the wide-open feel of an American science park, sandwiched between two of Britain's principal transport links, the east coast main line railway and the A1 trunk road. The landscape features a serpentine lake, as well as 28,000 trees.

The main building contractor is Laing Morris-Knudsen, a UK-US joint venture between Laing of London and Morris-Knudsen of Cleveland, Ohio. During the peak construction activity in 1992-93 LMK had 3,000 workers on site.

Glaxo is particularly proud of the safety record which Malcolm Carne, one of the engineers supervising the project, says is five to 10 times better than the UK construction industry average. Glaxo executives were warned, when they decided in 1987 to build the research centre, that they would kill three people in the process if the safety performance was just average.

So Glaxo, aided by Arup and Laing, implemented rigorous safety procedures. The workforce was given generous incentives to work safely. For every million man-hours without a serious accident, Glaxo held a draw for a new Volvo car. "So far we've given away 10 Volvos," says Sir Mark Richmond, research director.

Completing the project under budget – with a likely final cost of £670m compared with the budgeted £710m – owes a lot to lucky timing, Richmond concedes. Cost estimates were made when the construction industry was working at full capacity, but many of the contracts were placed two or three years later when companies were cutting prices to win business.

Glaxo executives may worry that shareholders see the Stevenage campus as extravagant, even with its total costs slightly reduced, now that the company's great expansion of the 1980s is over and the pharmaceutical industry is entering a period of relative austerity.

However Roger Newton, head of chemistry, points out that Glaxo's Greenford labs – many dating from the 1950s – "were at the end of their useful life and would have had to be replaced anyway. We also needed to build a new microbiology pilot plant". By putting everything on one site, Glaxo avoids duplication of equipment and saves many tedious road journeys between Ware and Greenford.

Sir Richard Sykes, chief executive, is unapologetic about "the benefits of bringing together all our research in the UK – chemistry and biology – on one imposing site with first-class facilities. These people are going to be more productive when they are working together in an integrated way".

BUSINESS AND THE LAW

Bit of a mess over waste

Diana Bentley on a disappointment for the EU packaging industry and environmentalists

The failure of the European Environment Council to approve the proposed Packaging and Packaging Waste Directive this June was a disappointment for environmentalists and the packaging industry alike. With the directive now consigned to the unfamiliar conciliation procedure established under the Maastricht treaty, its future seems in doubt, leaving member states free to pursue their own, disparate management systems.

The directive, adopted by the European Commission in July 1992 and amended in September 1993, was intended to control the hazard presented by packaging waste, and to overcome the threat posed by individual national schemes to the single market. But, although a harmonised approach to packaging control is generally welcomed by member states, it was blocked in the council in March by Germany, Denmark and the Netherlands, which believed the target waste-recovery and recycling rates were not sufficiently stringent.

Targets outlined in the directive are much lower than those originally proposed and have some flexibility. For the first five years after the implementation of the directive, targets would be 50-65 per cent for packaging waste recovery and 25-45 per cent for recycling, averaged across all packaging materials, with a minimum of 15 per cent for each kind of waste material. Targets for the ensuing 10-year period, intended to be higher, would be established under a review procedure.

Some friction over the issue was avoided through provisions that would allow upward derogation from targets for member states wishing to exceed them – provided their measures did not distort the single market, damage the environment or hinder other member states' compliance with the directive. Downward derogation would also be permitted for Greece, Ireland and Portugal, prompting criticism that the directive falls some way short of harmonisation.

So why did the directive fail? Several issues led to the impasse. Some member states opposed not only flexibility of targets, but also the management hierarchy of waste control. Under the directive, methods such as recycling, re-use and recovery, including incineration with energy recovery, are considered equally acceptable until environmental impact studies prove otherwise. While the European Parliament's proposal that an article specifically calling for prevention of waste was accepted, its suggestion that methods be listed in order of preference was not.

Ashley Ashwood

The Union's problems with package waste pile up

Economic instruments such as a tax on waste or landfill levies also proved controversial. "Some countries were loath to hand over tax-making power to the Council," explains Ms Suzanne Clabon, of UK law firm Clifford Chance. But it was Belgium, fearing the provision could threaten the future of its planned eco taxes, that dealt a death blow to the directive in June by forming a blocking majority.

Ironically, while the EU prevaricates on the directive, various member states have addressed the subject, and diverse national measures have now intensified the need for harmonisation. The treaty base of the directive remains Article 100a, with its objective of protecting the single market, but currently, says Ms Clabon, "the number and nature of national management systems could well be a threat to the single market".

Mr James Devereux of Incpen, an independent UK industry body, agrees. "They certainly don't help create a level playing field and some are viewed as thinly disguised trade barriers."

National regimes vary considerably. France's legislation introduced in 1992 addresses household packaging waste, which producers must take back or pass on to a state-approved organisation under a scheme administered by local authorities. Incineration and recycling are permitted. Currently, rules are being developed for commercial waste.

So far the UK has avoided legislation and opted for a system of self-regulation. Plans of the Producer Responsibility Industry Group, an independent body formed by private industry on government prompting, propose a scheme to achieve a recovery level of 58 per cent of packaging waste by 2000 and the establishment of an organisation to raise necessary revenues. But the group and many in the industry still support the idea of legislation to enforce compliance with the system.

The most controversial regulation is the German Packaging Ordinance of 1991, the most ambitious of the national schemes. To comply with the ordinance, many in German industry now subscribe to the Duales System Deutschland (DSD), which operates a collection and reprocessing system. Subscribers pay a levy to belong to the system under which their products are marked with an identifying symbol. Exporters of goods to Germany have little choice but to join the system.

Such is the success of the ordinance, which prevents incineration and landfills, that Germany is unable to recycle all the waste collected and has been forced to export some – particularly plastics that are difficult to recycle. Problems have resulted for environmental controllers in recipient countries, and the difficulties may intensify when the targets for recovery increase to 80 per cent across the board in 1995.

"The German system is the most comprehensive, but also has problems," confirms Mr Bernd Meyer-Witting of Clifford Chance's Frankfurt office. "As well as the problems with plastics, there is some confusion generated among consumers as to segregation of waste. But there are also cartel issues – with organisations such as the DSD, are you setting up a national monopoly which can set prices?"

Even if the directive proceeds, problems with national schemes may persist. Provisions regarding methods of achieving targets are general, leaving member states free to develop their own management schemes, although proposals for national schemes must be submitted to the Council before adoption.

The directive now lies in limbo, with talks on its future due to start in September. "The matter will be procedurally complicated," says Ms Clabon. Post-Maastricht, some directives failing to gain Council approval at this stage are subject to the "co-decision" procedure, under Article 189B of the treaty, between the Council and the European Parliament. "The concern is that the Council and Parliamentary representatives may not just consider the contentious issues but may reopen debate on the entire directive," she says.

Parliament in this procedure ultimately has a power of veto over the directive. "Parliament is traditionally stronger on environmental issues and the newly elected Parliament may want to flex its muscles," says Ms Clabon.

Pride, pique and pragmatism: impact of the embargoes on UK and Australia Page IV

FINANCIAL TIMES SURVEY

MALAYSIA

Tuesday August 30 1994

Hub of a world industry: Premier Mahathir at a Malaysian-Finnish telecoms equipment plant in Kuala Lumpur

Full steam ahead

Malaysia is still developing at breakneck speed but problems lie ahead, reports Kieran Cooke

Showing few signs of strain, Malaysia continues to canter towards its goal of full industrialisation by the year 2020. Dr Mahathir Mohamad, the prime minister and driving force behind the country's modernisation programme, can point to a long table of impressive statistics.

For the sixth year in a row Malaysia's gross domestic product expanded by more than 8 per cent in 1993. GDP growth this year is officially forecast at 8.4 per cent, though many feel it could be over 9 per cent. The Malaysian economy has been transformed: in 1970 commodities, mostly rubber and tin, made up the bulk of exports. In 1993 manufactured goods accounted for more than 70 per cent of exports.

Malaysia, with only 19m people, is now the world's 19th biggest trading nation. It has become one of the hubs of the global electronics industry and manufactures a wide range of other goods, from motor cars to condoms, haute côuture fashions to household furniture. There is virtual full employment and per capita incomes have risen from $350 in 1970 to close to $3,000 today.

Dr Mahathir does not think the country is setting its sights too high. "We are not an ambitious upstart. We are in fact very modest," he says.

But while the short term outlook remains rosy, serious problems could put the industrialisation plans off course. Malaysia's development has reached a plateau. With severe labour shortages in many areas and wages rising, the country is facing growing competition from lower cost producers such as Indonesia, Vietnam and China.

Malaysia's economic growth has been driven by its success in attracting large amounts of foreign investment. Despite a pick up in investment approvals this year, investment in the economy is still well below the levels achieved earlier in the decade. Some potential foreign investors have become nervous as Malaysia has allowed political disputes with both Australia and Britain to spill over into the business arena.

The next phase of Malaysia's development will be dependent on a transfer into more high tech, value added industries. One concern is that Malaysia's industrial base is too narrow – largely dependent on a sector which is still overwhelmingly dominated by foreign multinational companies.

Electronic goods now make up about 40 per cent of Malaysia's total exports. While progress has been made in promoting linkages between Malaysian based multinationals and local manufacturers, well over 50 per cent of the value of electronic exports is made up of imported goods. Another problem is the reluctance of foreign companies to transfer technology and so help Malaysia up the high tech ladder. Part of this is due to the multinational companies' wish to keep their core industrial processes captive. But it is also due to shortcomings within Malaysia.

Malaysia's education system has failed to keep pace with recent economic changes. The country has more than 1m immigrant workers, many of them illegal, labouring on plantations, construction sites and in low technology factory jobs. Such a large immigrant workforce is already posing a challenge to the country's delicate racial and religious balance and to its social services.

But the real squeeze on labour is at the higher, more skilled end of the market. Many Malaysians still show a strong reluctance to go into higher education. The proportion of students aged 20-24 in tertiary education is about 7 per cent, compared with 11 per cent in Indonesia, 16 per cent in Thailand and 28 per cent in the Philippines.

Malaysia risks being caught in a medium technology trap: it lacks the all important human resources to follow the path into high tech of countries such as South Korea and Taiwan. Allied to this is a serious shortfall in R&D spending: present spending in Malaysia is less than one per cent of GDP, compared with two to three per cent in developed countries.

Problems in the education sector are mainly related to the majority Malay community. Senior officials now openly refer to a Malay educational crisis. By not investing in education the Malays risk losing their stake in the country's future.

Traditionally the Chinese, who account for about 35 per cent of the population, exercised a large degree of control over the economy. In the early 1970s the government, in response to serious race rioting, introduced its New Economic Policy (NEP). The aim was to eradicate poverty and increase bumiputra, or indigenous Malay, participation in the economy.

Malays were favoured in education, in government jobs and other fields. They were given preferential and highly lucrative share allocations as the government embarked on a widescale late 1980s privatisation programme. The NEP was a partial success: according to official statistics bumiputras controlled more than 20 per cent of corporate activity by 1990, up from fewer than 5 per cent 20 years earlier.

Dr Mahathir berates bumiputras for their "get rich quick" mentality and failing to make long term investments. Yet government policies have tended to encourage Malay dependence on official favours.

A new National Development policy (NDP), covering the years 1991-2000, puts more

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KEY FACTS

Area	329,758 sq km
Population	19.3 million
Head of State	Yang di-Pertuan Agong
Currency	Malaysian Ringgit
Average exchange rate	1993 M$2.57=1 US$
	1994 M$2.54=1 US$ (19/8/94)

ECONOMY

	1993 [1]	1994 [2]
Total GDP (M$m, 1978 prices)	100,475	108,595
Real GDP growth (%)	8.0	8.1
GNP per capita (M$, nominal)	8,350	9,134
Components of GDP (%) [3]		
Private consumption	46.9	45.9
Public consumption	14.3	14.5
Investment	36.1	37.3
Exports [4]	85.1	85.3
Imports [4]	-82.7	-82.9
Annual average % growth in		
Consumer prices (%)	3.8	3.5
Producer prices (%)	2.9	2.8
Manufacturing (%)	12.5	12.2
Services (%)	8.7	9.4
Employment (000's)	7,371	7,607
Unemployment rate (%)	3.0	2.8
Money supply (M1)	26.8 [5]	na
Interest rate [6]	5.64	na
Reserves minus gold (US$bn)	19.4 [7]	na
Stock Exchange index (%) [8] [9]	98.0	42.8
KLSE Turnover (vol, units m) [8]	105,011.1	na
Trade		
Current acct balance (US$bn)	0.2	0.6
Merchandise exports (US$bn)	45.5	50.2
Merchandise imports (US$bn)	40.4	44.8
Trade balance (US$bn)	5.1	5.4
Main trading partners (%) [10]	Exports	Imports
ASEAN	27.6	19.9
EEC	14.6	11.2
Japan	13.2	27.5
US	20.2	17.2

(1) 1993 figure is an estimate. (2) 1994 figure is a forecast. (3) 1978 prices. (4) Of goods & non-factor services. (5)November (6) 3 month Treasury bill rate, October only. (7) 1992 only. (8) Actual. (9) KLP composite, year end, 1994 year to date. (10) Jan to Oct 1993, share of world trade.

Sources: Economist Intelligence Unit, Economic Planning Unit – Prime Minister's department, Datastream

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Kieran Cooke on the strains and stresses of economic success

Driven by exports

Like a runner who chalks up record lap after record lap, Malaysia's economy continues to run ahead at a dizzying pace.

Last year Malaysia's gross domestic product (GDP) grew by 8.5 per cent – the sixth successive year of plus 8 per cent growth. In the first quarter of this year GDP expanded by 8.6 per cent: predictions for full year growth now range from 8.2 to more than 9 per cent.

There have been warnings that the economy is in danger of overheating and that such high growth cannot be sustained. Some analysts worry about growing imports and a rise in consumer spending. Malaysia is also in danger of losing competitiveness with wages rising faster than productivity. The government has to struggle to attract more inward investment.

However, faced with a barrage of favourable statistics, such concerns are easily brushed aside by a government eager to promote the success of its economic policies.

The goal that has eluded economic planners worldwide – achieving high growth while keeping inflation low – seems to have been achieved. Despite the years of economic expansion inflation has rarely risen above 5 per cent.

The long term goal is to achieve full industrialisation by the year 2020 – a plan called Vision 2020 by the government's copywriters. To meet that target Malaysia's economy needs to grow by 7 per cent in each of the next 26 years.

Dr Mahathir Mohamad, the prime minister, dismisses the idea that this is overly ambitious. He points out that for much of the period since Malaysia's independence from Britain in 1957, Malaysia's economy has grown each year by well over 6 per cent. "I am confident that the targets of Vision 2020 are attainable," says Dr Mahathir. "The Government and its successors are committed to this vision."

The engine of economic growth has been the wholesale expansion of an export orientated manufacturing sector. Over the past 20 years Malaysia has been transformed from a commodity based to a manufacturing economy. In 1971, more than 80 per cent of exports were commodities – mainly tin, rubber and petroleum products. In 1993, manufactured goods formed more than 70 per cent of exports. "There is no doubt that had we

Finance minister Anwar Ibrahim: on track for another robust year

remained with tin and rubber, we would be a basket case today," says Dr Mahathir. "Manufacturing saved us."

One of the achievements of the Malaysian economy is that the expansion in the manufacturing sector and double digit rises in exports of recent years took place while recessionary winds were blowing through key export markets. Overall output in the manufacturing sector expanded 12.8 per cent last year while the value of manufacturing exports rose 26 per cent to M$90bn.

Now, with the economic outlook in the west improving, Malaysia is confident that the export growth of recent years can at least be sustained and fuel the continued expansion of the manufacturing sector. In the first quarter of 1994 output in the manufacturing sector grew by 13.7 per cent.

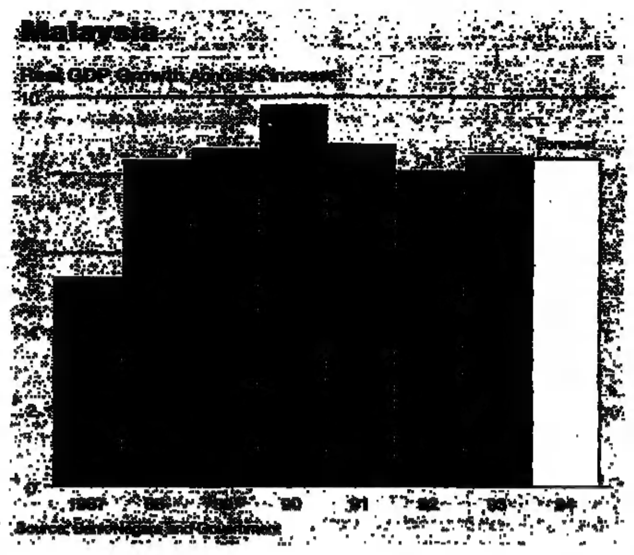
The public finances are in good order. For the first time in more than 30 years Malaysia achieved a balanced budget in 1993. High rates of domestic savings, at about 34 per cent of GNP, provide a ready source of funding for onward growth.

"That we are on track for yet another robust year is very encouraging for us," said Mr Anwar Ibrahim, the deputy prime minister and finance minister, in June.

However, economic success has brought its problems. The number one priority of Malaysia's monetary authorities has been the fight against inflation. Encouraged by the buoyant economy and a stockmarket that rose by nearly 100 per cent last year, massive amounts of foreign funds have washed into the country. Speculators also pushed funds in, hoping to gain from a rise in the ringgit, the Malaysian dollar.

Bank Negara, the central bank, was forced to mop up M$40bn in excess liquidity from the banking system last year in order to stop the build up of inflationary pressures in the economy.

Malaysia has embarked on a large scale programme to build up its infrastructure. New airports, power stations, roads and railways are being constructed. Such projects, besides relieving some of the bottlenecks that have built up in the economy, will further fuel growth. However, imports of expensive capital equipment associated with such projects – particularly in relation to yen denominated Japanese goods – have caused balance of payments problems.



A strong revival in domestic spending has increased economic activity but has also spurred a rise in imports. A Bank Negara prediction made earlier this year of a 1994 M$9.3bn surplus in the merchandise account of the balance of payments is generally regarded as over optimistic: a widening deficit in the services account – projected at more than M$15bn – is likely to lead to a current account deficit of more than M$6bn.

Of more concern in the long term are a number of structural problems within the economy. Chief among these is a shortage of labour which in turn has led to upward pressures on wages. Till now the government has managed to dampen wage demands by, on the one hand, keeping down inflation and, on the other, by importing hundreds of thousands of workers, mostly from Indonesia and Bangladesh. In many sectors of Malaysia's plantation industry immigrant workers make up more than 60 per cent of the workforce.

Officials realise that such dependence on immigrant labour could cause long term social problems. Using unskilled imported labour to keep down wages is unlikely to be an option as Malaysia seeks to enter a new, more skills-orientated phase.

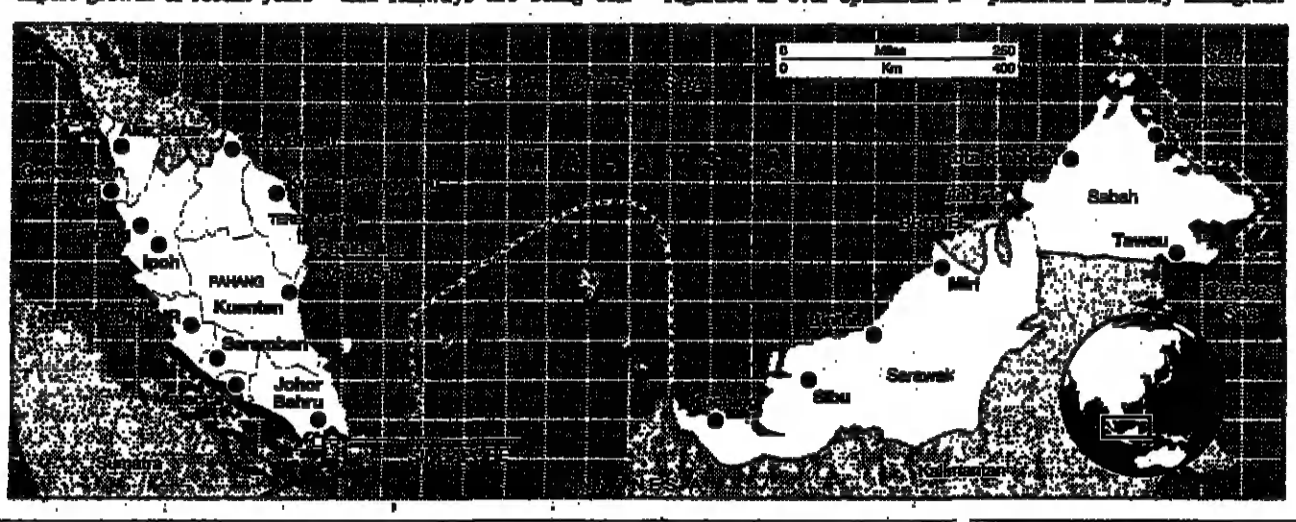
Already there are signs of a widening wages/productivity gap. A recent survey found that nationwide wages rose 7.3 per cent in the first six months of 1994 while productivity increased by only 2 per cent. "We will do everything we can to make sure the welfare of workers is protected," says Mr Anwar. "But we do not want this to be at the expense of productivity or Malaysia losing its competitiveness against its neighbouring countries."

On one level Malaysia's leaders realise that the country is no longer an ideal low cost, labour intensive investment site. "If you are looking for cheap labour and lower technology, Malaysia is not the place for you," Mrs Rafidah Aziz, the trade and industry minister, told US investors. "We are looking for jobs with more brain power required, not just brawn power."

However, Malaysia's manufacturing sector has yet to mature into a high tech, skills based industry. The country has severe skills shortages. It spends very little on R&D. It still has a narrow industrial base: electronics and electrical appliances account for about 60 per cent of manufacturing exports. Much of the electronics industry, dominated by foreign multinationals, is still devoted to labour intensive assembly work. About two thirds of manufactured exports have import ratios of between 60 and 80 per cent.

A 66 per cent drop in foreign investment last year was shrugged off by the government as only a temporary phenomenon. Investment from abroad did indeed pick up in the first six month of 1994, though to nothing like levels earlier in the decade. The government is now emphasising the need to encourage investment from domestic sources: but a lot of foreign expertise and capital is necessary to develop high tech industries.

The Malaysian economy is running ahead at full steam. The big question is whether it has sufficient strength to stay the distance and complete the race to full industrialisation.



■ THE NORTHERN TRIANGLE

Where three states meet

Penang is now trying to market itself as the industrial hub of a "growth triangle" linking the northern peninsula of Malaysia, north Sumatra in Indonesia, and the southern states of Thailand.

This growth triangle, following an earlier southern version based around Singapore, was endorsed by all three governments last year.

The third meeting of the Northern Growth Triangle (NGT)governments this December, flanked by meetings of business leaders, will discuss a report from the Asian Development Bank containing proposals for improving transport links and labour mobility and establishing cross-border industrial estates.

The NGT is meant to be business-led but the three governments have rather different attitudes to their business organisations. The Thai government is happy to let the business leaders take control, but the Indonesian government is more intent on keeping control. The Malaysian government lies somewhere in the middle with an important role in promoting the NGT taken by the Penang state government.

Mr Koh Tsu Koon, chief minister of Penang, and most influential Penang business leaders, see the NGT as a means of channelling labour intensive operations out of Penang and into northern Malaysia or southern Thailand. Meanwhile, Penang hopes to become a regional centre for business services, research and development and high value-added production.

Some business leaders fear that the NGT may aim too high and disappoint expectations.

"It would be nice if we could abolish all tariffs and borders and have completely free movement of capital, goods and people. But it takes decades to get anywhere if national sovereignty is at stake, just look at how long it is taking to harmonise regulations in the European Union", warns one Penang business leader.

He believes that the greatest potential in the short-term is in sorting out some of the transport bottlenecks. Currently, for example, there are no flights between Penang and Southern Thailand and there is no direct sea link across the straits of Malacca linking Penang with Medan. Freight has to travel all the way down to Singapore and back up again.

He also believes that travel restrictions could be removed allowing for much more free movement for business people. This is not the same as free movement of labour.

There is already a large flow of immigrant labour - much of it illegal - from the periphery to fast developing regions like Penang. But the Malaysians worry about being swamped by foreigners and hope that the NGT might help to slow the flow by providing more jobs in the outlying regions.

The Asian Development Bank report, which will form the basis of December's meeting, is expected to concentrate on the following themes: Highway development, air services, streamlining of regulations and tariffs, a gas pipeline, labour mobility, cross-border industrial estates and tourism.

David Goodhart

Indonesia-Malaysia-Thailand Growth Triangle

Region	Area (sq km)	Population ('000)	Persons/sq km
Northern Malaysia	32,257	4,658	144
Southern Thailand	20,809	2,840	136
North Sumatra	127,070	13,667	108
TOTAL	180,136	21,165	117

Source: official statistics

Penang is Malaysia's electronics power house, says **David Goodhart**

Where chips eclipse smelters

"I suppose you want to know when the bubble is going burst?", said Mr Ariff Nazir, boss of the old tin smelter in the middle of Penang.

It was not an unreasonable question. The small island off the west coast of the Malaysian peninsula has, for the past 10 years, been the most dynamic growth region in Malaysia and one of the most dynamic in the world.

Average annual growth has been over 10 per cent since 1988, usually at least two percentage points above the national average, and even when foreign direct investment started to falter last year in the country as a whole it was scarcely dented in Penang, the centre of Malaysia's electronics industry.

Mr Nazir had just returned from a ceremony to launch a new programme linking Penang's top electronics companies – Hewlett Packard, Hitachi, Bosch, etc – to local small and medium-sized businesses. At the ceremony, Mr Koh Tsu Koon, Penang's chief minister, and Mrs Rafidah Aziz, Malaysia's trade and industry minister, both emphasised the importance of deepening Penang's industrial revolution and making it less dependent on low value-added assembly operations.

Twenty years ago Mr Nazir's tin smelter was still the largest employer on the island. Now its 500 employees are outnumbered by the 3,000 employed by dozens of electronics plants. The smelter is still one of the biggest in the world, producing about 30,000 of the 150,000 tonnes of annual world output, but it is being run down gradually so that its owners (ultimately the German group Preussag) can sell off a prime city centre site.

The smelter is not, however, immune to the symptoms of over-heating all around it. Mr Nazir, for example, is trying to hire 60 extra labourers for his unionised plant at a reasonable rate of close to M$500 a month. So far he has found just two.

But he remains an optimist. "The bubble will not burst here because the state government is sensible enough to let out some of the air", he says. It is, for example, discouraging labour-intensive investments in Penang, especially from the Taiwanese. Companies such as Dastek, which is shifting disk drive production to China, are being encouraged to move to lower labour cost parts of Malaysia or to other countries in the region.

The Northern Growth Triangle (NGT) – the agreement between the governments of Malaysia, Thailand and Indonesia to improve cross border economic activity – should encourage this exodus.

"We are becoming a great deal more pickey about the kind of investor we want in Penang," says Miss Lim Pao Li, managing director of DCT consultancy services, part of the Penang Development Corporation. She said this while sitting in the dark, thanks to one of the power cuts common in a region knocking up against capacity constraints.

Such constraints on power supply as well as transport capacity will not be resolved by upgrading Penang's production base. Nor will such upgrading diminish the growing pollution problem which has made much of the sea around the island unfit for tourists to swim in.

Nevertheless, Penang will remain the focus of Malaysia's belated transition to higher value-added production. As wage rates continue to rise sharply, some of the generous investment subsidies are phased out (part of the Gatt agreement on world trade), and shifts in exchange rates become less favourable, the region has little choice.

Wages in Penang are substantially above levels elsewhere in the country, with basic wages (excluding many fringe benefits, but including overtime) for skilled workers around M$800 a month. Yet the electronics sector, which employs about 60 per cent of the region's 170,000 manufacturing workers (out of a total workforce of 450,000), has an annual value-added per employee of only M$14,000 per year, placing it way behind basic industries such as flour-milling.

Low value-added electronic components – where Malaysian factories usually add only about 30 per cent of the value of a product – still account for about 40 per cent of the country's electronic sector, although that is down from as high as 80 per cent in 1986. In Penang (which accounts for about half of the country's electronic industry) there has been robust growth in industrial and consumer electronics.

There are also some signs of increasing automation and the basing of more design and R&D work in Penang. Intel is building an integrated manufacturing plant in Penang. Motorola already locates its worldwide R&D centre for mobile phones and pagers in Penang employing more than 100 engineers at an annual cost of more than M$5m.

But Penang, like Malaysia as a whole, lacks graduate scientists and skilled technicians. Mr Ismail Mohamed Salleh, of the ISIS think-tank, says in a recent paper on the electronics industry in Malaysia: "While some products are close to the forefront of technology ...there has been little deepening in the product design and technologies of the products themselves."

Penang is still booming, but as one business leader put it: "We have reached the end of the road on our first phase of industrial development and we do not yet have the people for the second phase."

Hectic pace

□ Continued from facing page
emphasis on growth and market forces as a means of achieving some form of economic equilibrium between the races. But recent figures show that, since the advent of the NDP, the bumiputra share in the corporate sector has declined.

There is concern that, despite job shortages, a substantial portion of the younger generation are not working or studying – threatening the country's onward growth. Similar fears are expressed by other Asian governments. The west serves as a convenient whipping horse and is blamed for spreading moral decay and indiscipline. In reality the younger generation is less receptive to constant calls for more hard work and is not so willing to kowtow to its elders.

In Malaysia's strictly hierarchical system, there is little room for alternative voices or for questioning the direction of government policy. People feel there is a lack of transparency and accountability.

The government has control over most of the media. Dr Mahathir's United Malays National party (UMNO) has dominated government since independence from Britain in 1957. Dr Mahathir has been in power since 1981.

The past year has seen its share of scandals, but Dr Mahathir's government has escaped unscathed. Bank Negara, the central bank, disclosed in March that it lost M$5.7bn ($2.22bn) in foreign currency transactions last year. That followed foreign exchange losses of nearly $10bn in 1992, though the overall losses may have been considerably higher. Mr Lim Kit Siang, an opposition leader, described the misjudged currency dealings as the "the greatest financial scandal in Malaysian history".

Bank Negara's governor and some senior officials resigned. But the government quickly closed the book on any official enquiry into the affair.

The prime minister is strongly critical of what is called "money politics". Yet the small and divided opposition says that it is Dr Mahathir's UMNO party, through political handouts at successive elections, which has encouraged the growth of political corruption.

Dr Mahathir advances the idea of Malaysia Inc, tirelessly travelling the world with a bevy of corporate leaders in pursuit of business opportunities. The problem is that political connections are often felt to be more important than company balance sheets.

The Kuala Lumpur stock market, now southeast Asia's biggest in terms of market capitalisation, rose by 98 per cent last year. Part of that rise was due to Malaysia's strong economic fundamentals and the activities of well managed, cash rich companies. But the most lively stocks were those known less for their corporate expertise than for their connections to senior politicians.

Malaysia's leaders, flush with the success of recent years, are confident that they are steering the country on the right path. But their carefully laid plans could go seriously off course unless pressing economic, social and political problems are tackled.

David Goodhart inquires why trade unions are not more militant

Compliant workforce

Malaysia's trade unions ought to be flourishing. The country has full employment and rising wages, and the unions are freer than in most countries in the region. But the leaders of the the main union centre – the Malaysian Trade Union Congress – are subdued.

"Things here are not as bad as in many countries, we have semi-free trade unionism," concedes Mr G Rajasekaran, MTUC secretary general. Union membership has even been rising, especially in the manufacturing sector, but it is not keeping pace with the growth in employment and has fallen sharply in the traditional stronghold of the rubber plantations.

Including members of the two smaller union centres, the Malaysian Labour Organisation (led by the main bank employees union) and CUEPACS, representing public sector workers, there are about 700,000 trade union members in Malaysia. That means about 15 per cent of the eligible workforce is organised.

"We are doing better than some countries like the US, but we are not happy with our performance and we should do better," says Mr Rajasekaran. One of the biggest problems for the unions is the growth of immigrant labour – mainly from Indonesia and Bangladesh. Immigrants have caused a big drop in union membership in construction and the plantations, where they are often paid at lower rates than Malaysian workers.

How much the low membership is also the result of government restrictions is hard to judge. Mr Gordon McColl, in the Singapore office of the International Confederation of Free Trade Unions, reckons that the MTUC would double its membership from 400,000 to 800,000 if it faced no restrictions.

The government believes in consensus around its own model of "guided" politics and economics and makes no secret of its dislike for adversarial trade unionism. Government ministers labelled union leaders "traitors" when they supported the call in international forums for minimum world labour standards, an accusation that hurt.

January 1990: plantation hands strike for more pay – but electronics workers are barred from unions

Mr Anthony Yeo, secretary general of the Ministry of Human Resources, says that complete freedom of association could add to costs "because of unscrupulous trade union activity".

On paper the trade union recognition laws are liberal. If seven workers petition for a union the Registrar of Trade Unions has to consider it, and if 50 per cent plus one of the relevant employees of a company are members of the union the employer has to recognise the union.

In practice, however, it is extremely difficult to form a new union and the unions are engaged in a constant game of cat and mouse with the Registrar. Applications are regularly turned down. The textile union wanted to organise the Mattel plant which makes Barbie dolls, but was told it was a toy and not a textile factory.

Similarly, when workers at a Kimberley-Clark factory wanted to join the print and paper union the Registrar told them it was the wrong union but refused to tell them which would be the right union saying it would be "unethical" to do so.

Most controversially, the national unions are not allowed to organise in the electronics sector, which employs nearly 200,000 people and is the fastest growing sector. "About 70 per cent of the workers are women and they tend to be docile," says Mr Abdul Razak Hamid, head of the textile union in Penang.

Mr Yeo defends the government's position: "We believe that enterprise unions are the most appropriate for this sector, although it may be that at some point in the future we will adopt a different position."

Mr P Arunasalam, general secretary of the electrical workers union, says that most of the enterprise unions wither away after a while, and some employers even prevent them getting started. But his biggest complaint is that the definition of electronic is constantly shifting to include lots of electrical workers who should be in his union.

If extending organisation is hard, going on strike is harder. Mr Hamid, of the textile union, says: "We can go on strike, but then again we can't." The last proper strike in his sector was in 1976.

The law can require compulsory arbitration instead of a strike and there is no right of appeal. In practice that means no strikes. The closest union members get to industrial action is picketing in their lunch breaks. Recently, for example, employees at Unilever in Kuala Lumpur started a lunch-time picketing campaign after a 9 per cent pay claim was rejected.

The union leaders do not deny that wages and working conditions have been improving. But they are caught between claiming that wages have not been rising as fast as the employers maintain and claiming credit for the rises that have been achieved.

Mr Arunasalam says that wages have gone up 27 per cent over the past three years in the electrical sector in factories covered by collective agreements (which have built-in 10 per cent annual increments), compared with only 15 per cent in non-union plants.

Mr Rajasekeran believes, like the government, that wages should rise in line with productivity but claims that many workers have been getting reasonable rises only by working excessive overtime and points to the much higher basic wages in Singapore.

And Mr N Balakrishnan, an official of the electrical union in Penang, takes issue with the World Bank figures which show average per capita income at around US$3,000 and says that 70 per cent of workers earn less than US$2,000.

But Mr Balakrishnan sounds dispirited. "Consumer culture is now such a big thing, workers are just interested in working and spending, they are not interested in union activism," he says.

Workers in unionised plants have better job security. But Malaysia does not have a hire and fire industrial culture and employment rights and health and safety regulation are both reasonably good, at least on paper. An economic downturn might help improve the standing of the unions, but the union leaders fear that any success would bring with it even tighter restrictions.

■ THE MOTOR INDUSTRY

For Proton, a brother

Malaysia's car industry is a symbol of the country's ambition to join the league of developed nations. It is also the foundation of the country's industrialisation programme, writes KIERAN COOKE.

The first car to be manufactured in Malaysia, the Proton, rolled off the assembly line in 1985. Last year Proton produced a record 116,611 cars at its plant outside Kuala Lumpur. The Proton, made in co-operation with Mitsubishi of Japan, now has a a more than 70 per cent share of the domestic car market.

Last year more than 17,000 Protons were exported – the bulk of them to Britain. Proton is now making plans for marketing a left hand drive version of its cars in continental Europe. It is also expanding its presence in the region: more than 2,000 Protons are likely to be exported to Indonesia over the next year in exchange for Malaysian purchases of Indonesian made aircraft.

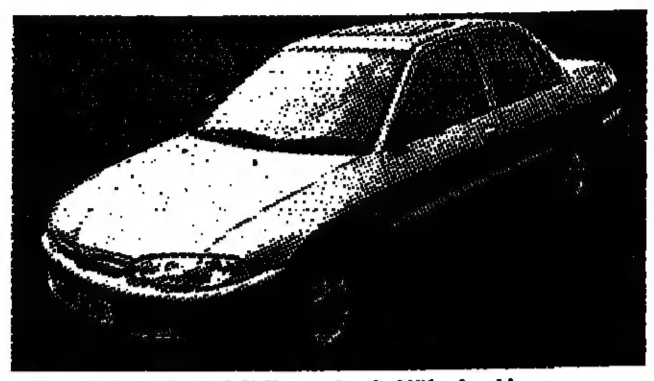
Plans are well advanced for a joint venture Proton assembly plant in the Philippines. Malaysia and Vietnam have signed preliminary agreements for cooperation in setting up a Vietnamese car industry. In May, Malaysia, Japan and China signed a memorandum of understanding for the manufacture and distribution of car components in China.

Encouraged by the success of Proton, Malaysia is now embarking on its second national car project. In July this year Perusahaan Otomobil Kedua, or Perodua, rolled out its first four seater 660cc passenger car. The Kancil, or Mouse Deer, is being produced in co-operation with Daihatsu and is modelled on the Japanese group's Mira car.

Perodua says that 100 Kancils per day will be produced by the end of the year: production will eventually rise to 45,000 annually. There are plans to export the Kancil in the near future.

From the beginning, Dr Mahathir Mohamad, Malaysia's prime minister, has been the driving force behind the growth of the country's car industry. Dr Mahathir sees the car sector as the catalyst for industrialisation: industries will grow to service the car sector and eventually diversify into other activities.

This has been happening. More than 70 per cent of the Proton is now sourced in Malaysia. In an important step toward more self sufficiency Proton is now beginning to cast its own engine blocks. A widespread network of industries and vendors have become involved in the car manufacturing process.



Proton's new Persona 1.5 GLSi: spearhead of UK sales drive

However the Proton's core technology and high value items, including much of the transmission system, are still imported from Japan. Dr Mahathir has criticised the Japanese for not transferring technology fast enough.

"We have to learn from the Japanese," says Dr Mahathir. "But at the end of the day we have to be independent, in the sense that we can develop our own car. We have to try to get the technology from somewhere, somehow...the Japanese step by step philosophy is fine, but the steps are being taken too slowly." The Japanese say that Malaysia still lacks some essential skills and must invest more in training and R&D.

The formation of a national car industry has been a costly exercise with millions of dollars of public funds poured into Proton. Despite a 35 per cent increase in turnover last year Proton's pre tax profits dropped 9.3 per cent to M$282m. Much of the profit drop was attributed to the rise in the value of the yen and the consequent increase in import costs.

Mr Nadzmi Mohamed Salleh, a Malaysian who last year replaced a Mitsubishi executive as Proton's managing director, says that Proton does not have sufficient economies of scale to make 100 per cent local content a realistic proposition. "The costs would be too high," says Mr Nadzmi. "Instead Proton may well opt for global sourcing."

That appears to be already under way. In mid year Dr Mahathir made a trip to the Peugeot Citröen works in France. Latest reports are that Citröen will soon begin supplying engines for a variation of the Proton.

Proton is believed to have also investigated parts supply from Mercedes Benz in Germany and General Motors and Ford in the US. Rover was also apparently thought of as a supplier but dropped due to the ban on giving government contracts to UK companies.

Some feel that Malaysia is being overly ambitious in embarking on a second car project. Part of Proton's success in the domestic market has been due to high duties placed on the import of other cars. The new Kancil will be considerably cheaper than the Proton and Malaysia's premier car maker could see its market share decline.

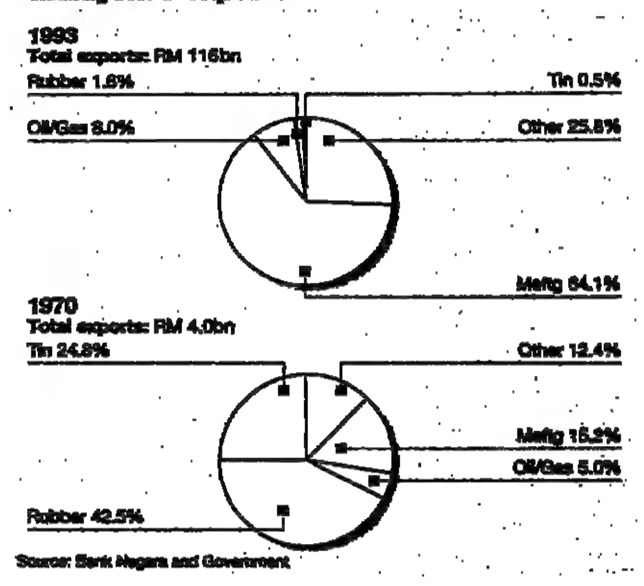
Proton admits that with the domestic market at near saturation point, it has to export to survive. However, Proton's Japanese partners are unhappy at the prospect of the Malaysian car competing with their own makes in markets such as Indonesia.

In Britain, one of the main attractions of the Proton is its price. The UK prices of Protons start at about M$27,600 (£6,990). In Malaysia the cheapest Proton costs more than M$30,000. Under the European Community's generalised system of preferences (Gsp), Proton has full exemption from UK import duties. Continued Gsp exemption is vital for UK sales.

If Proton starts making significant inroads into the car market on the continent, Europe's motor manufacturers might argue for a revision of Malaysia's Gsp status or demand the removal of Malaysia's protective import duties.

Malaysia's car industry has travelled a long way in the last 10 years. Progress could be slower in the years ahead.

Malaysia's exports



Source: Bank Negara and Government

Kieran Cooke looks at the impact of the trade measures against UK and Australia

Pique, pride and pragmatism

It has not been a good year for British/Malaysia relations. Then again Britain has not been the only one on Kuala Lumpur's blacklist: Australia also has problems.

Businesspeople have come to realise the considerable opportunities in catering to the needs of such a fast growing and ambitious country as Malaysia. They have also had to grow used to the risks involved in dealing with a government which is often extremely sensitive to outside opinions or criticism.

For Britain, the trouble started with the controversy in London over the granting of a £234m aid package to Malaysia for the building of the Pergau dam and its linkage to a 1988 £1bn defence contract signed between the then British prime minister, Mrs Margaret Thatcher, and Dr Mahathir Mohamad, the Malaysian prime minister. Malaysian officials angrily rejected allegations that the Pergau project was an unsound one or that it was too expensive.

On top of this came an allegation in [illegible] British newspaper that [illegible] British company had tried to offer bribes to Dr Mahathir. Though the newspaper did not allege that Dr Mahathir had accepted bribes or had been involved, the prime minister interpreted it in broader terms – a personal insult and an attempt [illegible] undermine the integrity of Malaysia's leadership.

"We believe [illegible] foreign media must learn the fact that many developing countries, including a country led by a brown Moslem, have the ability to manage their own affairs successfully," said a government statement at the end of February.

As punishment for the actions of the British press, Kuala Lumpur imposed a ban on giving government contracts to British companies. Malaysia clearly felt that the British government had the power to censure the press. The official British reaction [illegible] the ban only seemed to add to the confusion: on the one hand, Mr Major described the Malaysian action as being "not remotely justified": on the other, Mr Major's ministers – in public at least – joined with the massed ranks of British business in laying the blame for the Malaysian action squarely on the British media.

There have been some perplexing aspects to the ban. From [illegible] beginning it has been difficult to gauge exactly what Malaysia has wanted in order for the ban to be lifted. "All I want is the truth," said Dr Mahathir. "But then the British media is incapable of telling the truth."

The Malaysian government insisted the ban only applied to public sector contracts. But the line between the public and private sector in Malaysia is blurred. Arbitrary rulings have been made on who is and who is not affected by the ban. Some British companies have found they have lost contracts with Tenaga Nasional, [illegible] semi privatised electricity utility. Others have continued to work with Petronas, the state oil and gas conglomerate.

For British companies the main casualty of the ban has been work on a new international airport being built south of Kuala Lumpur – at present southeast Asia's biggest infrastructure project with a price tag of between M$9bn and M$12bn. An Anglo Japanese consortium which included Balfour Beatty, GEC and Trafalgar House, charged with managing the project, has now been disbanded and several years of preparatory work has been aborted.

However, British/Malaysia trade has not been reduced. Rather the reverse. Britain's exports to [illegible] went up by more than 80 per cent in the first six months of 1994 to £666m while Malaysia's exports to Britain dropped 24 per cent to £581m. Ironically, part of the reason for the increase in Britain's exports to Malaysia is thought to be the delivery of defence equipment associated with the controversial 1988 defence deal between the two countries.

Australia's problems with Malaysia began after Dr Mahathir decided not to attend [illegible] meeting of leaders of the Asia [illegible] held in Seattle late last year. In an off the cuff remark to reporters, Mr Paul [illegible] Australia's prime minister, described Dr Mahathir as a recalcitrant for his non attendance.

The dark clouds of Dr Mahathir's anger burst, not for the first time, on Australia. Various retaliatory actions were threatened. Australian business was warned that it could lose contracts. A great deal of diplomacy was needed before relations improved.

Recently both countries have [illegible] in trouble again with Kuala Lumpur. The Malaysian leadership [illegible]bjected to British press reports concerning alleged illegal banking payments in Malaysia. Kuala Lumpur has reacted angrily to remarks made by Mr Keating about Malaysian logging companies practising "environmental piracy" in the South Pacific.

Dr Mahathir has always put himself forward as an economic pragmatist. "I'm sometimes nasty to government, never to businesspeople," he said earlier [illegible]. However, there are those who feel that Malaysia's actions have done it more harm than good. The country is still dependent for its growth on outside investment and technology. Business does not take kindly to being used as a punch bag in arguments it has no part in.

There have been rumours that the British ban will be lifted soon. However, no one is holding his breath. In 1981 Dr Mahathir, piqued at what he perceived to be British high-handedness on issues ranging from trade to high fees for Malaysian students in Britain, instituted a "Buy British Last" policy.

It took several years of careful diplomacy in order for that directive to be changed.

It's a funny old Commonwealth: the Thatchers in Malaysia in 1989

The political arena is quiet, but not as somnolent as it appears, writes **Kieran Cooke**

A consensus born of progress

Malaysia prides itself on its political stability. The national front, composed of parties representing the country's various racial groups but dominated by the United Malays National Organisation (UMNO), has governed since independence from British rule in 1957.

Dr Mahathir Mohamad, prime minister and UMNO president, has been in power since 1981. Dr Mahathir influences virtually every aspect of Malaysian life.

Not only is the 67 year-old prime minister seen as the main architect of the country's soaring economic growth. The government's hold over the media ensures that Dr Mahathir's [illegible] on [illegible] range [illegible] – from moral decay and economic decline in the west to religious correctness at home – are constantly emphasised.

Economic success has brought about a large degree of political complacency. Constitutional amendments which again strengthened the powers of the executive at the expense of the judiciary were rushed through parliament earlier this year with scarcely a whimper of public dissent. The political opposition is weak and divided.

General elections are likely to be held either later this year or early next. UMNO seems certain to maintain its firm grip.

Lift up the political carpet and things are not quite so orderly. The main points of conflict are found not between the country's various political parties but within UMNO itself. Since the party of the majority Malays controls virtually all positions of power, any internal upheaval is likely to have profound consequences for the country's future.

In UMNO elections late last year Mr Anwar Ibrahim, the 47 year-old finance minister, was declared party deputy president. Subsequently Mr Anwar was appointed deputy prime minister – and the most likely heir to the Mahathir mantle.

Three of Mr Anwar's supporters, all in their 40s, were promoted to leading UMNO positions in the party elections. The old guard, represented by Mr Ghafar Baba, Mr Anwar's rival for the UMNO post, was unceremoniously pushed aside.

Suave and urbane, his conversation peppered with literary and scholastic references, Mr Anwar is said to represent the Malay baru, or new Malay – modern in outlook, a man capable of carrying through the ambitious Mahathir vision of making Malaysia a fully industrialised nation by the year 2020.

At times the Mahathir/Anwar duo seems to be a carefully balanced alliance. At other times their opinions seem to conflict. Dr Mahathir emphasises economic goals, constantly urging Malaysians to work toward achieving higher growth figures. Mr Anwar warns that people must not be obsessed with material growth and must set more time aside for intellectual pursuits.

Dr Mahathir rails against the west and boasts of the region's achievements. Mr Anwar cautions Asians not to be arrogant or to be blind to problems in their own societies.

Mr Anwar firmly denies that there are any political problems between himself and the prime minister. Yet analysts feel that tensions are inevitable between the ambitious younger politician and an elder leader who seems to have no wish to retire.

Allied to this are the increasingly visible strains that have developed between Mr Anwar and Mr Daim Zainuddin, a close confidant of Dr Mahathir and a considerable power behind the scenes. Mr Daim is a former finance minister and functions as a special economic adviser to the government as well as UMNO treasurer.

As Dr Mahathir's trusted lieutenant in the 1980s, Mr Daim helped rebuild UMNO finances after a damaging party split. Mr Daim is a corporate wheeler dealer who has backed the rise of several Malay businessmen. Political analysts say Mr Anwar has become angry with Mr Daim's attempts to influence government and so promote the interests of his business associates. Yet as long as Mr Daim has the ear of Dr Mahathir, Mr Anwar can take little action.

While UMNO's [illegible] echelon [illegible] personalities, the rank and file has been voicing growing concern about corruption within the party and a nationwide cult of vote buying and so called "money politics". The party fears the alienation of a wide section of the public from the political process. In June, UMNO held a special convention to discuss such matters.

"If we accept money politics in the party, if corruption becomes a culture in UMNO, if our leaders gain positions through bribery, we will have a government that is filled with and led by corrupt criminals," Dr Mahathir told delegates. The convention agreed that in future any member involved in money politics would face expulsion from the party.

Stamping out such abuses will be hard. Opposition politicians accuse UMNO itself of making the most flagrant use of money in the election process. Earlier this year Dr Mahathir's national front finally gained control of the local administration in the east Malaysia state of Sabah. Sabah's former rulers not only accused Dr Mahathir's administration of witholding much needed development funds in an attempt to coerce people into voting for the government party. They said the national front was buying votes to the extent that it was "dropping money out of helicopters".

Other forms of money politics [illegible] deeply ingrained, mainly [illegible] historical factors. Traditionally Malaysia's Chinese community, which makes up about 35 per cent of the population, has controlled much of the country's economy. In the early 1970s the government launched its New Economic Policy (NEP), designed to give "bumiputra", or indigenous Malays, a greater share in the country's wealth.

Malays were favoured in government jobs, in education and in business. Under a wide ranging privatisation programme which got underway in the late 1980s Malays were granted preferential and highly profitable share allocations. UMNO itself became directly involved in the private sector, controlling a complex web of businesses stretching into most areas of the economy. A new corporate elite emerged, buttressed by close ties to leading politicians.

Mr Daim insists that since a reorganisation of UMNO finances in 1988, the party has not had any business interests. Mr Terence Gomez, [illegible] Malaysian academic [illegible] made an extensive study of UMNO's corporate investments, [illegible] that while UMNO may no longer have direct control of companies, the connections are still there.

"A stage has been reached when a business elite, made up of bumiputras and their Chinese partners and with close connections to leading politicians, is able to dominate a large segment of corporate life. It can also seriously influence stock market activity."

The close ties between the business world and leading politicians make it difficult to put a stop to money politics. Such ties also cause resentment among UMNO members who feel the party has lost its way. They feel decisions are made by an urban based, wealthy *group with little commitment* to the lot of the Malay community.

Dr Mahathir's position [illegible] secure. But with his party undergoing a crisis of identity, there could be plenty of political fireworks ahead.

Immigrants fail to ease skilled labour shortage, says **David Goodhart**

Factories' Achilles heel

The colourful banners fluttering [illegible] what seems like every other Malaysian factory signify an increasingly rare phenomenon: a seller's market for labour.

The banners invite passers-by to walk-in interviews for a wide range of production jobs, with no previous experience required. The lack of Malaysians taking up the invitations is, however, stoking up wage-pressure and intensifying the debate about how the country shifts from assembly-based operations – premised on cheap labour – to a high wage, high value-added, manufacturing base.

The country has reached full employment (unemployment this year will be below 3 per cent of the 8m workforce) six years before planned, with jobs growth outstripping labour force growth 3.2 per cent to 2.8 per cent since 1988.

The difficulty of finding workers is a constant refrain of Malaysian businessmen. And when workers are found they often have that bothersome self-confidence associated with full employment. "When they come it is not us interviewing them it is them inteviewing us about fringe benefits," says an exasperated Chinese business leader.

Not surprisingly, wages have been rising rapidly although there is some dispute about how rapidly. In the electronics sector, official surveys show wages rising at over 10 per cent per year, while inflation hovers around 4 per cent.

But electronics workers are an elite benefiting from big productivity increases and booming demand in the mainly foreign owned plants. They comfortably top the monthly average earnings table on M$886, ahead of furniture workers. On some estimates average monthly earnings for the 200,000 electronics workers are over M$1,000.

The picture for the economy as a whole is less dramatic with the Manpower Department estimating that earnings increased by only 5 per cent in the economy in 1993, compared with 8.7 per cent in 1992. But it is not clear whether those figures capture the growing array of fringe benefits or the 10 per cent annual seniority increments usually built into collective agreements.

Collective bargaining only covers about 20 per cent of the workforce, but the figure is closer to 50 per cent in the manufacturing sector which has just overtaken agriculture, forestry and fishing as the biggest category of employment, now covering about 25 per cent of the working population.

Nevertheless, Malaysia's rather dispirited trade unions cannot claim much of the credit for the full-employment generated wage pressure. One measure of that pressure is the dramatic rise in job-hopping.

Textile operative: full employment was achieved six years early

Mr O K Lee of the northern branch of the Federation of Malaysian Manufacturers, says annual labour turnover is now about 45 per cent in Penang.

In response to the tight labour market employers have been allowed to bring in more foreign workers – mainly from Indonesia and Bangladesh – usually on five year contracts. This has helped to check wage pressure, especially in the rubber plantations and in construction where the 1.5m official immigrant workers are strongest.

But neither immigrant workers nor the latest government initiative to restrain wage increases, expected in next year's budget, can alter the fact that Malaysia is no longer a cheap labour economy.

The World Bank classifies Malaysia as an upper middle income country – and therefore no longer a developing country – and its GDP per capita is nearly $8,000 (using purchasing power parity) just above Greece, the poorest European Union country.

For that reason some industrialists view the future in rather apocalyptic terms. "This situation is a trap. We cannot stand-still because we will gradually lose more and more labour intensive foreign investment to lower cost countries in the region. Yet we cannot move forward at the speed required because we do not have a sufficiently educated workforce," says a businessman, who refuses to be named.

The argument, which quickly becomes a political one (hence the anonymity), runs like this: Malaysia inherited from Britain an elitist, arts-inclined, higher education system and very little technical or vocational training infrastructure. This weakness was, however, compounded by the quota system designed to promote the advance of the ethnic Malays and the compulsory use of Malay as the language of instruction at all levels, both introduced in the early 1970s.

The quality and quantity of the education provided in Malaysia by seven universities, two colleges and five polytechnics, at a total annual cost of about M$1bn, has thus been inadequate. The result has been about 60,000 Malaysians studying abroad at any one time (many of them never returning), one of the lowest per capita ratios of science and engineering graduates in the region (with 63 per cent of graduates preferring arts subjects), and only 7 per cent of Malaysians in the 20-24 age group in tertiary education compared with 28 per cent in the Philippines and 16 per cent in Thailand.

As a result, research [illegible] development claims only 0.8 per cent of GDP (and most of that in agriculture) compared with 4.7 per cent in Japan and 4.3 per cent in Germany.

How much de-regulation to improve standards is achievable without upsetting the delicate ethnic balance which underpins the country's stability? The answer appears to be quite a lot. The prime minister, Dr Mahathir Mohamad, has relaxed the rules on using English, encouraged "twinning" with Western universities, and promoted a big expansion in private colleges.

More broadly, the government machine, like the Singaporean machine 15 years ago, is starting to focus single-mindedly on the transition to a high value-added economy. Mr Lay Ah Oon, of the Malaysia Industrial Development Authority, [illegible] labour [illegible] from foreign [illegible] now [illegible] turned away, [illegible] companies [illegible] being encouraged to relocate in Thailand or China, and there is much greater emphasis on high local content.

This policy emphasis [illegible] already making [illegible] mark. For every M$1m [illegible] investment approved by MIDA last year seven jobs were generated compared with 14 jobs in 1989. There is some patchy evidence of more sophisticated manufacturing techniques and more research and development being done in Malaysia, backed by generous R&D grants and tax breaks.

To improve vocational and technical training a levy system was established last year under which all manufacturing companies with more than 50 employees have to pay 1 per cent of their wage bill to the Human Resource Development Fund (a total of M$61m last year) which then subsidises in-company training. Also, the government plans to build a further seven polytechnics by the year 2000 and is aiming to double to 8,000 the number of annual science and technology graduates.

Even before it starts producing the workers required by a high value-added economy, Malaysia will remain more attractive than the pessimists concede. Labour may be more expensive than some [illegible] in the region but Malaysia has [illegible] infrastructure, good basic education and widespread use of English. Nonetheless, even some of the optimists concede that its slow recognition of the need to upgrade means that the country still faces a difficult decade of transition.

David Goodhart inspects US disk-maker Komag's Penang operation

Islam and gigabytes

In Penang, one feature immediately strikes the visitor – a state of the art electronics plant with a Moslem prayer room.

It would be hard to find a better symbol in Malaysia of the successful marriage of Islam with modernity and the market, the idea that inspires the prime minister, Dr Mahathir Mohamad.

It would also be hard to find [illegible] better example of the kind of manufacturing plant which Malaysia desperately requires more of, as it attempts to shift from labour intensive to high value-added production.

Komag, the US based advanced disk manufacturer, says its Penang plant is the lowest cost disk producer in the world.

For Malaysia it certainly sets new standards of technological sophistication in clean room technology and automation. The plant, which is more like a hospital than a factory with busy people hurrying about in surgeon-like uniforms, currently produces about 20,000 1-gigabyte disk drives per day.

The value-added contrast with its next door neighbour, a textile plant owned by Eastern Knitters, could not be more striking. Eastern employs 4,000 people to generate annual sales of M$50m; Komag employs 600 people to produce annual sales of M$270m.

Even within the electronics sector Komag is rare. Most of Penang's electronic companies import products which have had 60 to 70 per cent of the value added already in Japan or US, with the Malaysians merely finishing and testing. Komag, on the other hand, takes a piece of aluminium with a hole in the middle costing about US$1.40 and, after processing it, sells it for about US$10.

The managerial brains behind the plant is a typical product of Malaysia's cosmopolitan elite.

Mr Thian Hoo Tan, 46, worked in the US for 18 years before returning to Malaysia to manage the plant. Before that he was at the University of Malaysia where he roomed with several people who are now in the cabinet or chief ministers of Malaysian states.

"I used to share a room with Anwar Ibrahim (now the deputy prime minister) when he was a hot headed, left-wing nationalist. We used to go on demonstrations together," recalls Mr Tan.

While such connections can do no harm, the main reason Komag chose to locate in Penang is the presence of so many customers including Seagate, Western Digital, Hewlett Packard and Conner.

"When we were setting up the plant (which opened in early 1992) it made several good decision and one bad one," recalls Mr Tan. The bad decision was to believe the Penang authorities when they said they could guarantee uninterrupted electricity supply. The capital and energy intensive Komag plant consumes about 5 per cent of the island's power and is badly hit by the regular power cuts. "We usually have two or three small power cuts each month, which costs us about US$100,000, then every now and then we have a big one which costs more like US$500,000," he says.

The best decision of all was to scrap the normal job categorisation for such a plant which starts with a low wage operator, and moves up through engineers and technicians to supervisors.

Mr Tan created instead "higher value-added jobs", a manual worker/technician grade and an engineer/supervisor grade.

"The manual technicians have to be able to understand some physics and chemistry as well as work with their hands. When recruiting we put people through four to five hours of stringent verbal and practical tests and only hired 9 out of every 100," he says.

"This was a big gamble but it has paid off, and because the workers understand what they are doing they can use their creativity to improve the process," he adds.

They are paid well above normal rates. A manual technician receives about M$900 basic per month but with fringe benefits and social security costs Komag about M$1700 per month.

Mr Tan says that real wage costs are rising at over 10 per cent per year, and effectively doubling every five years. Employees also benefit from a company-wide profit-sharing scheme which hands out 9 per cent of world-wide profits. The result is that the young technicians – average age is only about 25 – remain unusually loyal to the company.

"We have been fabulously successful. We erased our accumulated deficit as early as April 1993 and we were making money one and a half years ahead of schedule," he says. Komag, believes Mr Tan, represents the manufacturing future for Penang and Malaysia. "As wage costs surge more and more simple assembly operations are planning to move out. I know of at least four companies which have drawn up plans for re-location," he says.

But he warns that Malaysia does not, currently, have the human resources to replicate the Komag model on a wider scale. At national level he thinks that the practice of encouraging "twinning" with colleges from Australia or America is not working because too many people are doing the "wrong" subjects like management and accounting and not enough are doing technical and science subjects.

"Don't forget when we were recruiting we employed only 9 out [illegible] 100 applicants; this country has got to work on the other 91," says Mr Tan. Through the Penang Skill Development Centre the company is helping to raise the general pool [illegible] vocational skills in the area.

In a few months Komag will be drawing on that pool. The 230,000 sq feet of plant is being supplemented by another unit of 130,000 sq feet, and the number of lines will grow from three to seven. It is the answer to Dr Mahathir's prayers.

Manager Thian Hoo Tan: the brains behind the plant

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MTV lends an ear to the baby boomers

"Hope I die before I get old" ran the too-often quoted line, "gotta leave a good-looking corpse" urged another; but nobody actually meant it. Rock music has not only come of age, it is staring at its sagging jowls in the mirror every morning and preparing to apply for its free bus pass. And yet, the myths of teenage fervour and adolescent yearning die hard.

"Rock music is part of the passion of being young," explains Bill Roedy, president of MTV Networks Europe, and he should know; the 24-hour music channel reaches 60 million households in 33 countries, a joyous trans-global celebration of mindless riffing and instantly forgettable pap.

But where does that leave the armies of baby-boomers for whom it all meant something more? Faced with the choice of Rolling Stones decrepitude and the infantile whingeing of freshly-forged heart throbs, where does one turn? Do all roads have to lead to Phil Collins?

Roedy is sympathetic, and has an eye for a gap in the market. Next month, MTV Europe is launching VH-1 in Britain, a new channel designed to cater for the 25-49 year-olds who form the bulk of today's rock audience. Its slogan – "Music That Means Something" – plays unashamedly on the nostalgia felt by the generation who once thought that Country Joe and the Fish were responsible for the US defeat in Vietnam, although at least 50 per cent of the channel's output will be new music.

VH-1's director of programmes, Brent Hansen, promises there will be no room for rap, hip-hop, techno or heavy metal. "We are aiming for people who may occasionally watch MTV, but almost feel like visitors.

Bill Roedy: peddling nostalgia

They need their own heartland, their own emotional base. They don't want to be patronised, and they want to keep in touch with what is happening. We are also talking about the generation which grew up with punk – they have owned the music world."

The success of oldie music magazines such as "Q" and, more recently, "Mojo", as well as 18 fruitful months of market research have been encouraging signs for the new channel. Hansen says the research identified a musically literate audience anxious for hard information and pointers to new trends. "They have gone into all the megastores, they have finished buying their greatest hits compilations and now want to find out more."

Programming will be much less frenetic than that of MTV, with experienced presenters (which include Nicky Horne, Paul King, David Hepworth and Tony Vance) providing background and context to the records they will be playing. "If we feature a country-rock band, we might look at The Byrds and Gram Parsons, without being too train-spotterish about it," says Hansen. The channel is currently negotiating to acquire rights to the "Old Grey Whistle Test" archive, and live footage from the pre-video [redacted] will also be used.

One unwanted side-effect of the new channel may be to pull young viewers away from MTV. "That is not our intention, although we are aware that, with young males, there is a heritage angle to this," says Hansen.

Paul Du Noyer, editor of "Mojo" (slogan: "The Magazine for People who know [redacted] Roll") says his readership [redacted] the 18-25 age group who are keen to discover for themselves some of the less familiar names of the past, such as Nick Drake or Tim Buckley. "They believe that the great music of the past has an enduring validity. Consequently, the audience for rock music is ever-broadening."

A happy meeting-point, then, for advertisers, record companies, disposable income and consumers seeking to spice up their entry into middle age. Rock music has achieved the extraordinary and enviable position of constantly re-defining its own standards and borders. On an early pilot of VH-1 shown to groups of potential viewers, a presenter refers to a "classic" Rolling Stones track from 1981. The truth is that, by 1981, most of the group's fans considered them already to be about 10 years past their "classic" years. So what does that make them in 1994? Old, old, old.

Peter Aspden

Abstract virtues

Two London shows celebrate [redacted] side of British art which has never been fully appreciated, writes William Packer

Once invented, abstraction [redacted]. Rather like the wheel, it [redacted] just too [redacted]. It made life so much more simple and straight-forward. Other preoccupations may come and go, conceptualism command our critical attention for a while, post-modernism shoot across the skies, figu[redacted] be apparently revived; yet always, there will be serious artists making abstract paintings. Speculation about the death of [redacted] will always be just loose talk.

But it is one thing to continue active, quite another to remain important. [redacted] the [redacted] abstract painting, beyond the mere fact of its survival, worthy of our critical attention? On present evidence the answer is clearly yes.

The paradox of abstract painting, is that the apparent simplicity of choice presents the artist with real difficulties. The external references by which the figurative artist persuades us of his merit may be absent – and the abstract painter may not relish them – but the underlying constraints common to all painting remain.

Order, structure, colour, form and surface, light and space, are there as ever to tease and confound him, and all the more so by the fact that he has brought them on himself. A single stroke of paint laid upon the bare canvas will conjure up a visual space that extends within and beyond that surface-plane as far as the imagination will take it. Each further mark will qualify and elaborate that space, each colour hold itself in [redacted] particular spatial and formal relation to the next and to the painting as a whole. The paint itself must be manipulated and controlled, the painted [redacted] sustained in its entirety: and the eye must be held here and shifted there through the whole complex and subtle course of the work.

The show at Flowers East, which fills the galleries on both sides of the road, is of particular interest not *just for representing* so many of the most important of our abstract painters, but for doing so by recent and substantial examples of their work. It is a generous [redacted] an effective collaboration between a number [redacted] London's principal galleries and burdened by no narrower principal than the quality of the work. Alongside the ebullient and expansive expressionism of Albert Irvin and Patrick Heron, or the heavy calligraphic figures of John Hoyland, or the dense impastos of Gillian Ayres and Alan Gouk, are set the quietist near-minimalism of Edwina Leapman's grey stripes, or Ian Tyson's sparely stated rectangle in blue and white, or Trevor Sutton's exquisitely worked orange square set in a red disc.

There are any number of beautiful things – from Noel Forster, Prunella Clough, Sean Scully, Carol Robertson, Alan Green, Clyde Hopkins, Sandra Blow, John McLean, Michael Ginsborg. There are [redacted] duds. As for omissions, I think of Barry Cooke, Peter Joseph, John Hubbard – but it is [redacted] measure of the show's success that they are so few. The new Richard Smith is a particular treat, for apart from [redacted] small show at Feigen in the summer, he has been seldom seen in London in recent years.

[redacted] is an exhibition of museum standing, which one of our vaunted public institutions might have put on and toured abroad, had it had the nerve or wit. Almost as much may be said of the show, from the collection of Robert Loder, that has come to Atlantis from the Bede Gallery [redacted] Jarrow. It has a more historic dimension, going back to the 1960s, and a more personal and miscellaneous character, with one or two artists such as Hoyland, McLean and the late Brian Fielding being especially well represented.

The contemporaneity of the Flowers show gives it a more immediate relevance, but that at Atlantis is none the less worth seeing. Together they celebrate a quality in British art that we have never fully appreciated, let alone celebrated properly ourselves. Were we really so much in awe of American and Continental abstraction all those years ago that we could not see what was under our noses? Technical probity, imaginative authority and a manifest lack of histrionics and self-indulgence: such virtues shine out in a naughty world, yet here they are commonplace.

British Abstract Painting: Flowers East, 199 & 282 Richmond Road, Hackney E8, until September 11. Lead and Follow – [redacted] Continuity of Abstraction: Atlantis Galleries, 146 Brick Lane, Whitechapel E1, until September 11.

Hippy heaven: Michael [redacted] as Oberon

Alastair Muir

Edinburgh Festival

An Indian dream from Australia

Somebody must have told the Australian Opera about Edinburgh's new Festival Theatre. Originally called the Empire, it was re-built after [redacted] fire in [redacted] and [redacted] handsome art deco interior survived [redacted] of [redacted] a bingo-hall [redacted] lovingly [redacted] and re-opened this year.

How kind of the Australian visitors to bring a show that was in period. A portrait of George V smiled down from above the proscenium arch. Vignettes of the King and Queen Mary adorned the boxes. The stage picture was of the British Empire in its heyday – a military bandstand in the India of the Raj with stiff-upper-lip officers and elegant ladies taking the air in the dusty heat of the late evening.

No – it is not surprising if the opera is hard to guess. Neither Britten nor Shakespeare had imperial India in mind when writing *A Midsummer Night's Dream*. The Austra[redacted] Opera production [redacted] by [redacted] Luhrmann, the director [redacted] the film *Strictly Ballroom*, now signed up to 20th Century Fox. He is hot prop[redacted] and this production [redacted]dictably proved to be a hot ticket down-under – a vibrant and colourful crowd-puller.

The choice of India for the setting was [redacted] moment of inspiration. I used to think of [redacted] *Night's Dream* as the innocent among Britten's operas, whereas these days it seems as much about sexual [redacted]sion as any. To see it as a clash of cultures is an interesting gloss on the story: instead of Athenians lost in an enchanted wood, we have the starched and inhibited English having their passions liberated in sensuous, headily-perfumed India.

Putting [redacted] exotic world of enchantment on stage must [redacted] been [redacted] designer's dream. Catherine Martin and Bill Marron have come up with a riot of ruby reds and midnight sapphire blues, luxuriantly bejewelled costumes and shafts of moonlight (lit by Nigel Levings). Never mind that it looked more like the India of the Maharishi's psychedelic sixties. This was a [redacted] change from the current fashion for [redacted] productions in all-pervading grey.

Having set the scene so skilfully, Luhrmann [redacted] ready [redacted] probe [redacted] emotional issues at the heart of the [redacted] but did he do [redacted] In the tender scene [redacted] Tytania [redacted] Bottom the ass settle down on the [redacted] for a mutual scratching ses[redacted] (to music from Britten [redacted] surprisingly [redacted] lassitude), [redacted] gestive glint [redacted] hidden [redacted] surface. Luhrmann just played [redacted] for laughs.

And that – unfortunately – is what happened through [redacted] of the [redacted]. Elisa Wilson's Helena [redacted] nymphomaniac in jodhpurs, mercilessly pursuing an [redacted] Demetrius, [redacted] strongly [redacted] by Paul Whelan. Ian Bostridge played Lysander as a chinless civil [redacted] in love with the limpid upper-class Hermia of Kirsti Harms – [redacted] all. When [redacted], "What [redacted] mortals be!", one had no option [redacted].

The rustics formed [redacted] amateur dramatics group from the local army base, [redacted] sit-com assortment [redacted] marching men in khaki shorts, [redacted] Michael Martin's gormless Flute [redacted] camp goof. Every old knockabout pantomime routine [redacted] in their army rule-book, but [redacted] they had brought [redacted] good band along [redacted] play. The Scottish Chamber Orchestra, in [redacted] army uniforms on the bandstand, was expertly conducted by [redacted] moustachioed sergeant major, [redacted] Brydon.

[redacted] this [redacted], except perhaps for [redacted] fairies. I could have strangled Tyler Coppin's camp-is-[redacted] long before [redacted] end, but Kathryn McCusker looked beautiful in Tytania's [redacted] and Michael Chance's Oberon, with waist-length hair and pointed fingernails, [redacted] the epitome [redacted] culture as hippie heaven. [redacted] his haunting [redacted] led the final ensemble, Britten's music [redacted] afresh.

Richard Fairman

Sponsored by Bank of Scotland

Roots of Cunningham and Morris

Mark Morris, whose *L'Allegro, Penseroso, Moderato* has been the glory of this year's Edinburgh Festival, has been known to say that the living choreographer he admires the most is Merce Cunningham "whom I love more than I love God". Could two choreographers be less alike? And yet I am more sure that these two are great artists than I am about any other artists alive. Now, only six days after the last performance here of *L'Allegro*, the Edinburgh Festival (after 15 years) has brought back the Cunningham company. The two works they are dancing are by no means Cunningham's finest – [redacted] Morris has never surpassed *L'Allegro* – and yet they plunge us deep into the extraordinary experience that Cunningham alone affords.

But let me first proceed a little farther with the Morris-Cunningham compare-and-contrast exercise. Morris's works take their roots from music, and they keep drawing from music, whereas Cunningham's exist independently from the scores that accompany them. In the Morris world, people belong first and foremost to a large community; though they have some existence as soloists and in small [redacted] groups, they seldom develop any sustained one-to-one relationships in duets. In Cunningham's world, by contrast, people are seen as private soloists above all, each dwelling in his or her private space; solos are frequent and powerfully [redacted]vidual, and [redacted] more remark[redacted]ble yet in the many ways they show interaction [redacted] utterly distinct lives.

[redacted] dancers [redacted] vividly human, and he often excels in showing a large ensemble of people all sharing the same vital human impulse. People, however, are only one part of Cunningham's vision, and his stage seems often to be a view of flora and fauna – now as seen by some travelling safari camera, now through the window of an aquarium. [redacted] rhythms [redacted] lyrical, full of cantilena fluency, and often marked by a thrillingly regular pulse; Cunningham's rhythms are irregular, staccato, unpredictable, sustained by the coolest but most powerful current of phrasing. Morris's works have beginnings, middles, and ends; whereas Cunningham's usually give us the illusion that the curtain and the wings are preventing us from seeing a longer and larger moving canvas.

Perhaps, however, the [redacted] between Cunningham and Morris only reveal [redacted] more profound similarity. In both, we are seeing broad and probing views of the world. [redacted] see human energies refined to exceptional levels of mastery. We are, in fact, watching classical art, which almost nobody else in the world makes any more. *Cargo X*, the first and shorter of the two works shown here this year by Cunningham, is one of his more daffy constructions, with a certain silly use of flowers and a stepladder. (Those who look for symbolism everywhere can waste a lot of time on this kind of nonsense.) And yet hardly has the curtain risen than we are off into an enthralling solo, in which (at the performance I watched) the great Frederic Gafner swings in the air between huge, hanging jumps of alternating convex and concave shapes. At once rhythm and space and human energy are made vital in the ways only Cunningham knows.

Cargo X and *Enter* are accompanied by two of the most stupidly cacophonous scores I have ever heard. Usually I can take the Cunningham sound-world in contentment, but David Tudor – an abstract expressionist [redacted] music [redacted] works I have sometimes admired – has made music [redacted] *Enter* in which [redacted] gaggles of geese protest at the passing of whistling V2 rockets, computers breed with one another and then get divorced, and so on... This is not merely silly but actually so intrusive as to be, in spirit, anti-Cunningham.

Even [redacted] can see that about 40 per cent of *Enter* (a long 90-minute composition) is on Cunningham's highest level, notably in its solos and duets.

In ensembles it is always interesting when Cunningham has more than one activity, and more than one speed, going on at the same time; but when he has everybody doing more or less the same thing the interest drops. Elsewhere, however, it is still true, as when I reviewed the premiere of this work at the Paris Opera in 1992, that this dance makes one wonderfully con[redacted] of vertical space; each dancer seems to be merely the base of some mighty and moving cylinder.

The work contains both extremes of slow-motion and speed, both beautifully achieved; and sculptural stillness is often contrasted with either staccato brilliance or unbroken slow phrases. When Cunningham is great – which is often enough here – nothing in the world is [redacted] peculiar or more marvellous.

Alastair Macaulay

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: James Judd conducts European Community Youth Orchestra in works by Bartok and Mahler, with violin soloist Kyung-Wha Chung and soprano Charlotte Margiono. Tomorrow: Kansai Youth Symphony Orchestra plays Khachaturian and Tchaikovsky. Fri and Sat: Kyril Kondrashin Music Competition, with Radio Philharmonic Orchestra. Sun morning: Vassili Sinaiski conducts Hague Philharmonic Orchestra in Verdi, Liszt, Brahms and Tchaikovsky, with piano soloist Love Derwinger. Sun evening: Gustav Leonhardt conducts Orchestra of the 18th Century in Haydn and Mozart, with soprano Cynthia Sieden. Next Tues: Los Angeles Philharmonic. Next Wed, Thurs: Chailly conducts the Royal Concertgebouw (24-h[redacted] information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Sat: Netherlands Opera opens its 1994-5 season with David Pountney's ENO production of Lady Macbeth of Mtsensk, conducted by Hartmut Haenchen, with cast headed by Eva-Maria Bundschuh and Willard White (repeated Sep 6, 10, 13, 16, 19, 22, 25, 28, 30). Next Mon: Dutch National Ballet gives first of 11 performances of a mixed bill comprising choreographies by Balanchine, Fernandez and Van Dantzig (020-625 5455)

■ BRUSSELS

Monnaie Tomorrow, Fri, Sun and next Wed: Antonio Pappano conducts Karl-Ernst and Ursel Herrmann's production of La traviata, with cast headed by Elzbieta Szmytka, Laurence Dale and Victor Ledbetter (02-218 1211)
Lunatheater Fri, Sat, Sun and next Wed: Rosas, the dance troupe of experimental Belgian choreographer Anne Teresa De Keersmaeker, performs Toccata, set to music by Bach (02-218 1211)
Palais des Beaux Arts Sun: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in works by Beethoven, Lutoslawski and Sibelius (02-507 8200)

■ CHICAGO

The Lyric Opera re-opens on Sep 17 with Boris Godunov starring Samuel Ramey. The season also includes Graham Vick's new production of The Rake's Progress, Fedora with Freni and Domingo, Il barbiere di Siviglia with Thomas Hampson, John Cox's staging of Capriccio, Bernstein's Candide, Aida and Siegfried (312-332 2244)

■ [redacted]ENEVA

Hugues Gall's final season at the Grand Théâtre opens on Sep [redacted] with a new production of Idomeneo, conducted by Armin Jordan and staged by Christopher Alden, with a cast including Johan Botha, Solveig Kringelborn and Paul Groves (repeated Sep 15, 17, 20, 23, 26 and 28). The season also includes The Bartered Bride, La boheme, Nabucco, a Bartok and Schoenberg double-bill, Gounod's Faust, I Puritani and Gluck's Orfeo (022-311 2311)

■ LINZ

The annual Bruckner festival in this Austrian town (Sep 11-Oct 2) opens with Riccardo Muti conducting the Vienna Philharmonic in [redacted] Seventh Symphony. Giuseppe Sinopoli [redacted] the [redacted] Orchestra in two concerts, and the Orchestre de Paris will play Bruckner's Ninth under Semyon Bychkov. Marek Janowski will direct a concert performance [redacted] Wagner's Lohengrin, with [redacted] cast headed by Peter Seiffert and Eva Johansson. Other visitors include the Hagen Quartet, Christian Zacharias, Simon Estes and Mauricio Kagel. The final two concerts will be given by the London Philharmonic under Franz Welser-Möst (0732-775230)

■ LUCERNE

The Lucerne Festival continues till Sep 10. Tonight's concert, by the Royal Concertgebouw Orchestra under Riccardo Chailly, features works by Stravinsky and Mahler. Claudio Abbado and the Berlin Philharmonic play Mahler's Ninth Symphony tomorrow and a Russian programme on Thurs. John Eliot Gardiner conducts the English Baroque Soloists and Monteverdi Choir in a Mozart choral programme on Fri, followed on Sat by a Beethoven programme with the Orchestre Révolutionnaire et Romantique. On Sun morning, Daniel Barenboim conducts the Berlin Staatskapelle in the first act of Wagner's Die Walküre, with Tina Kiberg, Siegfried Jerusalem and John Tomlinson. Barenboim also conducts Verdi's Requiem next Mon evening. Among the visiting ensembles later next week are the Dresden Staatskapelle with Colin Davis and the Vienna Philharmonic with Riccardo Muti (041-233080)

■ MONTREUX

The Montreux Festival [redacted] till Sep 23. Radu Lupu is soloist tomorrow with the Royal Concertgebouw Orchestra conducted by Riccardo Chailly. Marek Janowski conducts the French Youth Orchestra on Fri and Sat. Ton Koopman directs the Amsterdam Baroque Ensemble next Mon in works by Haydn and Mozart. Other visitors next week include the Moscow State Symphony Orchestra under Pavel Kogan and the Orchestra of La Scala under Carlo Maria Giulini (021-963 5450)

■ UTRECHT

EARLY MUSIC FESTIVAL
The Holland Festival has organised a series of performances by early music specialists at the Vredenburg concert hall, daily till Sunday. Among the artists appearing are La Simphonie du Marais in a Handel and Lully programme, Concerto Köln in Salieri and Rosetti, the Amsterdam Baroque Orchestra playing Haydn and Mozart under Ton Koopman, the Orchestra of the 18th Century under Gustav [redacted] and Les Arts [redacted] under William [redacted] (030-314544)

■ VIENNA

● The Staatsoper will remain closed for technical alterations till Dec 14. The Volksoper opens its new season on Thurs with Die Fledermaus (51444 2969/51444 2959/513 1513)
● The Burgtheater and Akademietheater resume repertory performances on Thurs. Chekhov's Three Sisters heads the bill at the Burgtheater. The Akademietheater has a new production of Shakespeare's Titus Andronicus, first night Sep 10 (51444 2969/ 51444 2959/513 1513)
● The main orchestral programme at the Musikverein begins in late September with concerts by the Orchestre de Paris and Finnish Radio Symphony Orchestra (505 8190)

■ WASHINGTON

THEATRE
● Carol Channing stars in the musical Hello, Dolly! at Wolf Trap, opening tonight and running daily till Sun (703-255 1860)
● Night of the Iguana, Tennessee Williams' poetic drama set in [redacted] Mexican resort, runs till Sep 11 at Olney Theater (301-924 4485)
● Goodnight Desdemona, Ann-Marie MacDonald's popular spoof on Shakespeare, runs till Oct 16 at Woolly Mammoth Theater (202-393 3939)
● Miss Saigon, the musical love story set against the background of the Vietnam war, runs daily except Mon at Kennedy Center Opera House (202-467 4600)
● Into the Woods, the musical by Stephen Sondheim, runs till Sep 17 at Signature Theater (703-820 9771)
CONCERTS
● The National Symphony Orchestra's new season at Kennedy Center Concert Hall opens on Sep 8 with the first of three concerts conducted by Leonard Slatkin (202-467 4600)
● Kyung-Wha Chung is violin soloist at the opening concerts of the Baltimore Symphony [redacted] new season on Sep [redacted] and 17 at Baltimore's Joseph Meyerhoff Symphony Hall (410-783 8000)

■ ZURICH

Opernhaus The 1994-5 season opens on Thurs with a gala performance of Tosca, starring Mara Zampieri, Neil Shicoff and Ruggero Raimondi (repeated Sep 4, 8, 11, 15, 21 with Giorgio Zancanaro replacing [redacted] for some performances). The first new production of the season will be Mascagni's L'Amico Fritz, opening on Sep 9 in Winterthur. The opening month also includes Rusalka, Die Zauberflöte and [redacted] new production of La Cenerentola (first night Sep 17). Carlo Bergonzi gives a song recital on Sep 12 (01-262 0909)
Tonhalle Claus Peter Flor conducts the Tonhalle Orchestra in the last of three Beethoven concerts on Fri, with piano soloist Rudolf Buchbinder (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, [redacted]many, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super [redacted] FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Cheap ride on trial

John Mason on proposals to close loopholes in the UK's legal aid system

The [illegible] of [illegible]ently wealthy people being granted legal aid to fight UK court cases and then running up bills of thousands, if [illegible] millions, [illegible] pounds to [illegible] [illegible] from the public purse [illegible] sparking controversy inside, [illegible] well [illegible] [illegible], the legal profession.

Last week the Law Society, the [illegible] professional body for solicitors, proposed ways [illegible] closing loopholes in legal aid rules enabling the wealthy to claim [illegible] support.

Its move [illegible] [illegible] number [illegible] controversial cases, notably that [illegible] Dr Jawad Hashim, the Iraqi businessman who, despite owning six luxury homes, [illegible] so far received £4m in legal aid for his civil court battle with his former employer, the Arab Monetary Fund, economic watchdog for [illegible] Arab League. The AMF successfully [illegible] Dr Hashim embezzled £33m belonging [illegible] the fund.

The government's Benefits Agency, which [illegible] legal aid claims, disregards disputed assets when deciding [illegible] appli[illegible] need financial help – and the size of the AMF's claim against Dr Hashim meant most of his assets were disputed.

Legal aid given to many [illegible] the City's fallen heroes in criminal [illegible] [illegible] also provoked criticism. [illegible] they [illegible] been [illegible] bankrupt – though their lifestyle may be supported by [illegible] or rela[illegible] – they have qualified for [illegible] [illegible].

Given [illegible] [illegible] [illegible] complexity [illegible] many fraud trials, [illegible] [illegible] [illegible] [illegible] be large. At [illegible] weekend, legal aid in [illegible] trial [illegible] Roger [illegible] [illegible] finan[illegible] [illegible] [illegible] 180-hours of community [illegible] for fraudulent trading, plus [illegible] co-defendants, was confirmed by government [illegible] [illegible] [illegible] having [illegible] [illegible].

Mr Wallace Duncan Smith, [illegible] [illegible] City banker jailed for fraud [illegible] year, [illegible] [illegible] [illegible] for the amount of public [illegible] spent simply on [illegible] [illegible] [illegible] [illegible] – [illegible].

The trial of Kevin [illegible] [illegible] Maxwell, scheduled for early [illegible] [illegible], [illegible] likely [illegible] produce a total legal [illegible] bill running into [illegible] figures.

[illegible] lawyers [illegible] [illegible] [illegible] in criminal [illegible] [illegible] [illegible] [illegible] given the [illegible] [illegible] prepare their cases – and [illegible] bankrupt [illegible] should be [illegible] in [illegible] same way as [illegible] [illegible] [illegible] off. They [illegible] [illegible] [illegible] [illegible] personal contribu[illegible] [illegible] often demanded [illegible] when legal aid [illegible] granted, [illegible] [illegible] [illegible] [illegible] [illegible] "free ride".

But such arguments [illegible] hard [illegible] sustain amid the controversy over recent cuts at the other end of the legal aid spectrum. Anxious to control [illegible] fast growing legal aid budget – expected to increase by 15 per cent to £1.4bn this year – Lord McKay, the Lord Chancellor, has [illegible] eligibility for the some [illegible] the poorest applicants, leaving [illegible] [illegible] his critics, without [illegible] to the law.

[illegible] have fallen hardest on the "green form" scheme [illegible] provides [illegible] hours [illegible] free legal [illegible] [illegible] relatively straightforward civil cases such [illegible] family disputes – the type of action in which those on low incomes are most likely [illegible] [illegible] involved. While people earning up to £145 [illegible] week used to be able to use the scheme, that limit has been cut to £70.

'Government cuts mean many living just above the poverty line can't afford legal aid'

Mr Russell Wallman, head of professional policy at the Law society, [illegible] [illegible] contrasting treatment of the poorest appli[illegible] and the apparently wealthy [illegible] legal [illegible] arrangements seem a "racket". Mr Charles Elly, Law Society president, [illegible] "Government cuts [illegible] meant that many people living only just [illegible] the poverty line are no longer [illegible] [illegible] afford legal [illegible]. [illegible] makes it particularly galling to [illegible] [illegible] apparently wealthy individuals getting legal [illegible] through loopholes [illegible] the rules."

The society [illegible] [illegible] legal [illegible] system should [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] applicants' lifestyles, and [illegible] [illegible] on the [illegible]ingly [illegible] [illegible] explain all income sources. Mr Wallman suggests those relying on wealthy [illegible] [illegible] [illegible] should have [illegible] use [illegible] [illegible] these resources to [illegible] their legal costs. Implementing this approach, he [illegible], would not [illegible] easy. Could [illegible] friend who, for example, [illegible] an applicant to a restaurant be [illegible] also to pay his legal bills? [illegible] in principle it [illegible] [illegible] [illegible] less harsh than denying [illegible] [illegible] [illegible] those falling just outside the current eligibility limits.

A [illegible] practical [illegible] proposed by [illegible] Law [illegible], which [illegible] [illegible] implemented fairly quickly, is to [illegible] [illegible] of the value [illegible] applicants' homes when assessing their eligibility. The society [illegible] [illegible] [illegible] people should have to [illegible] modest homes [illegible] fund litigation. [illegible] it does not [illegible] why someone with substantial equity in [illegible] home [illegible] [illegible] [illegible] that taken into [illegible].

The society [illegible] [illegible] ceiling [illegible] the amount of equity that should [illegible] [illegible] – perhaps in the [illegible] [illegible] £100,000-£150,000. "If that means [illegible] has to [illegible] [illegible] more modest, I don't think [illegible] [illegible] [illegible]able," [illegible] Mr [illegible].

In civil actions, [illegible] in the Hashim [illegible] the [illegible] Society [illegible] it should be possible [illegible] [illegible] [illegible] [illegible] [illegible] paid [illegible] [illegible] [illegible] funds [illegible] [illegible]. This [illegible] reverse the practice [illegible] [illegible]garding disputed [illegible]. [illegible] society [illegible] urges [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] practice of releasing money to [illegible] [illegible] [illegible] when imposing freezing [illegible] on [illegible].

[illegible] society [illegible] [illegible] financial [illegible] via [illegible] proposals could [illegible] significant, [illegible] though [illegible] number [illegible] appli[illegible] [illegible] [illegible] [illegible] [illegible] hundreds [illegible] low [illegible]. "[illegible] money [illegible] [illegible] be in [illegible] [illegible], [illegible] [illegible] hundreds, of millions [illegible] pounds," [illegible] Mr Wallman. [illegible] sums [illegible] help [illegible] applicants [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

The [illegible] Society's proposals have [illegible] submitted [illegible] [illegible] [illegible] [illegible]. Though [illegible] society [illegible] [illegible] [illegible] Lord McKay over the latter's attempts [illegible] [illegible] [illegible] legal [illegible] budget, [illegible] are signs [illegible] [illegible] thinking [illegible] [illegible] more in line: [illegible] [illegible] [illegible] [illegible] in [illegible] they [illegible] the case [illegible] reforming [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] off.

[illegible] [illegible] government, [illegible] to [illegible] public spending, [illegible] [illegible] Society's proposals have one [illegible] [illegible] ending [illegible] controversy [illegible] payouts [illegible] the well-off would [illegible] [illegible] politically easier [illegible] curb growth in [illegible] overall [illegible] aid budget.

THE FT INTERVIEW: Barry Diller, chairman of QVC

TV thriller – back after the break

B[illegible] Diller [illegible] saying [illegible] at [illegible] moment, frequently and clearly. In [illegible] [illegible] 18 months, [illegible] executive Mr [illegible] [illegible] [illegible] in [illegible] obscure [illegible] home shopping television [illegible] called QVC and made nearly $100m. He has also failed to take over Paramount (the Hollywood studio) and has proved unable to make a merger with CBS (the US broadcaster) stick after a big QVC shareholder objected to the deal. Now, seeing no role for himself at QVC, he is about to be out of a job.

Employment offers and ideas for possible deals are coming in fast and Mr Diller – for now – is saying No to them all. "Things come up but I am trying to push opportunity away from me for at least a few months," he says.

He was being interviewed at at the Edinburgh Television Festival at the weekend – somewhere he would have preferred not to be, but he had promised to make a speech so he turned up. For the previous 10 days, Mr Diller, one of the most frenetic and forceful exec[illegible] in the entertainment industry, took himself off to a beach house in California and put his career on hold.

"I want to… really learn from what I have just gone through," says Mr Diller. "The world has heard enough from me for a while. I want off stage. I want out of the light."

The reflective mood is striking from a man who has known little but success – from creating the "Movie of the Week" concept on US television as a young executive in the industry, to running Paramount for 10 years, to launching the Fox Television network in the US for Mr Rupert Murdoch. Now he has to come to terms with failure.

"While I have all the explanations in the world and I have learned a great deal, the fact of the matter is I did try to buy Paramount and in the end didn't, and I did merge with CBS and it got stopped and that's that," says Mr Diller.

He was more succinct in his first comments after the Paramount failure earlier this year. "They won. We lost. Next!" he said then. But now Mr Diller [illegible] [illegible] [illegible] a [illegible] blow – the loss of the CBS deal – it is not going to be so simple to [illegible] on.

[illegible] particular, [illegible] [illegible] [illegible] [illegible] [illegible] learn [illegible] lessons of [illegible] bruising experience of being involved in his first large-scale, hostile takeover.

"[illegible] I had [illegible] [illegible] Wall Street, I didn't really know anything about it – about real playing and that kind of big-ticket investment banking and the arbitrageurs," Mr Diller concedes.

The 52-year-old executive, whose initial $25m stake in QVC has risen in value over the last 18 months to $118m, insists he could have bid high enough to take Paramount from Mr Sumner Redstone's Viacom broadcasting group, whose interests include the MTV channel. He simply refused to pay what he regarded as too high a price.

"I just looked at the assets and knew it wildly wasn't worth it," says Mr Diller. He says he turned down, as too risky, a proposal to raise extra money by borrowing against QVC's future share price – which he would have had to guarantee.

But the real turning point, he says, came in a meeting with 15 arbitrageurs who at the time held 30 per cent of Paramount. Mr Diller started to tell them about his plans for Paramount, but that was not [illegible] they were interested in. He remembers one saying to him: "Stop talking to us. We don't want to hear your ideas. Give us a nickel more and we will all [illegible] home" – although, with Paramount's stock price then bouncing above $90 a share, the 5 cents was probably only a figure of speech.

"I am quite happy I didn't do it [Paramount]. I am not happy with the CBS proposition," says Mr Diller, referring to his subsequent attempt to merge with the television network in a deal that would have gone a long way towards fulfilling his ambition to run a big media concern.

The main problem was that Mr Ralph Roberts, chairman of Comcast, a minority QVC shareholder, did not think a cable company such as his should be tangling with a network broadcaster. Mr Diller told Comcast that, if it wanted [illegible] stop [illegible] deal, [illegible] [illegible] always buy QVC. Mr Diller says [illegible] promised that, if it did, he would treat its bid with respect. "They [Comcast] did. We did. Larry Tisch [chairman [illegible] [illegible] [illegible] [illegible]. It [illegible] [illegible] Instantaneous," [illegible] Mr [illegible], [illegible] [illegible] [illegible] machine-gun delivery. Comcast was joined [illegible] [illegible] [illegible] QVC by Liberty

Barry Diller: 'The world has heard enough from me for a while'

Diller feels he [illegible] learn the bruising lessons of his first big hostile takeover

[illegible], [illegible] [illegible] [illegible].

In [illegible] Edinburgh speech, [illegible] [illegible] managed to [illegible] up his [illegible] experiences [illegible] a [illegible] [illegible] [illegible] wit. [illegible] [illegible] firmly [illegible] cheek, [illegible] explained [illegible] [illegible] still secretly working [illegible] Mr Murdoch, [illegible] had [illegible] [illegible]mously successful [illegible] undermining [illegible] [illegible] [illegible] [illegible] [illegible] major rivals, Paramount [illegible] Viacom.

Getting into his stride, Mr Diller suggested in his lecture that he was "clearly a tonic" to "old men" in the US media industry. "Sumner Redstone, Larry Tisch, Ralph Roberts… are all in their 70s, and there is no-one who can't say they haven't been rejuvenated by having me briefly in their lives," Mr Diller said.

Whose life Mr Diller will rejuvenate [illegible] [illegible] likely [illegible] [illegible] uncertain [illegible] some time, [illegible] he [illegible] dropped [illegible] large [illegible] [illegible] his intentions.

First, he suggests that in the future he wants to be in overall charge of any project. He left Fox three years ago after telling Mr Murdoch that he wanted to be a principal and own stock in The News Corporation. Mr Murdoch said there could only be one principal in the group – himself.

"Will I or will I not work with other people?" Mr Diller asks. "I will, or I won't… But one thing I doubt that I will ever [illegible] I just don't think I will get myself in a situation where I can't prevail."

The second [illegible] lies in [illegible] continuing interest in "the truly [illegible] transformation" taking place in the media industries. After leaving Fox he spent 10 months searching [illegible] a chance exploit [illegible] undiscovered investment opportunity which ended, [illegible] the sur[illegible] of many, [illegible] QVC. [illegible] saw what no one else saw in a com[illegible] that sold cheap jewellery [illegible] electronics to the [illegible] tele[illegible] viewer 24 hours a [illegible] – that it represented the convergence of technology that most people [illegible] only talking about. [illegible] uses television to stimulate consumers' interest, telecommunications to take 130,000 [illegible] [illegible] [illegible] (and sometimes as many [illegible] 300,000), and computers to organise [illegible] all and han[illegible] [illegible] inventory and make sure goods get to customers on time. But QVC, where Mr Diller is contractually [illegible] to remain chairman until December, [illegible] already begun [illegible] [illegible] [illegible] he regards [illegible] a [illegible] powerful [illegible] – "smart agent technology".

This, Mr Diller explained to his audience in Edinburgh, would involve creating detailed computer profiles of the tastes and desires of individual consumers [illegible] matching [illegible] information with goods, [illegible] and information that they are likely [illegible] [illegible]. Developing [illegible] [illegible], [illegible] believes, will be [illegible] more effective [illegible] of trying to merge media [illegible] [illegible] [illegible] how people behave than Hollywood studios, publishers and telephone companies trying to invade each other's territories without really knowing what they are doing.

Given Mr Diller's current enthusiasm for the project it would be surprising if "smart agents" did not pop up somewhere in his future plans – unless his period of reflection produces an even smarter idea.

For now, Mr Diller will not be precise about his intentions. Apart from lying as low as possible to see what he can create from his experiences, Mr Diller is emphatic about only one thing: "I don't know what I am going to make of it [his experience] but I hope I won't do the obvious."

Raymond Snoddy

LETTERS TO THE EDITOR

Number One Southwark Bridge, London [illegible] [illegible]
[illegible] [illegible] 873 5938. [illegible] [illegible] should be clearly typed and not hand written. [illegible] [illegible] [illegible] [illegible] finest resolution

Buccaneers, but not pirates

From Mr W J W Courtney.

Sir, The emotive language of your article, "Boards of utilities likened to pirates" (August 25) calls for an immediate response.

Sir Anthony Beaumont-Dark, chairman of TR High Income Trust, casts a wide net when describing [illegible] of all water companies as giving themselves huge increases in pay and pillaging their companies.

Let me set the record straight so far as Southern Water – a company in which TR High Income Trust wisely seeks to invest – is concerned.

[illegible] majority of Southern Water's directors were recruited from the private sector. The prospectus for the sale [illegible] our shares in 1989 clearly [illegible] that [illegible] [illegible] would be brought up to levels commensurate with [illegible] in [illegible] private sector. Some [illegible] years on, our advice from independent consultants [illegible] that [illegible] levels are still to [illegible] achieved.

We [illegible] not just control a monopoly. We operate a water business within a highly complex regulatory framework and remain accountable to a myriad price, quality and environmental regulators. We are responsible for managing a capital investment programme of some £2bn to bring up to the latest UK and EU standards our Victorian infrastructure legacy which, until recently, was neglected by politicians of all complexions.

At the same time, we have formed or acquired some 20 trading companies which [illegible] exposed to the full rigours of competition [illegible] [illegible] market place. Through [illegible] [illegible]ful [illegible] we have, [illegible] year, added value for [illegible] shareholders and created employment during a period of recession. Fifty per cent of our [illegible] board costs [illegible] [illegible] by these non-regulated businesses. Buccaneers we may be in developing new businesses, but pirating our core business – never.

W J W Courtney,
chairman, Southern Water,
Southern House,
Yeoman Road,
Worthing,
W[illegible] BN13 3NX

Public is the beneficiary of local government review

From M[illegible] Geoffrey [illegible].

Sir, In [illegible] [illegible] [illegible] editorial, "England's [illegible] [illegible] [illegible]" (August [illegible]), [illegible] two-tier [illegible] [illegible] local government has [illegible] worked well in [illegible] [illegible] [illegible] [illegible] in spite [illegible] [illegible] [illegible] [illegible] [illegible] at both country [illegible] [illegible] councils. The public [illegible] confused, accountability is [illegible] [illegible] services [illegible] ought [illegible] be integrated [illegible] [illegible] [illegible] [illegible] [illegible].

The public overwhelmingly [illegible] [illegible] [illegible] [illegible] yet [illegible] county council spends 70 per [illegible] [illegible] [illegible] [illegible] and [illegible] unavoidably remote, given [illegible] size.

[illegible] [illegible] know that the Local [illegible] [illegible] will lead [illegible] [illegible] abolition [illegible] [illegible] [illegible] [illegible] of [illegible] county council. In spite of this, [illegible] [illegible] [illegible] [illegible] a unitary [illegible] as long as it is kept local to the people they serve.

For [illegible] [illegible] all [illegible] national political parties pledged [illegible] introduce unitary [illegible] government in their [illegible] [illegible]. It has happened in [illegible]ropolitan England and [illegible] [illegible] [illegible] [illegible] Wales, Scotland and [illegible] [illegible] [illegible] England.

Geoffrey Filkin,
secretary, Association of District Councils,
26 Chapter Street,
London SW1P 4ND

From Councillor Brian White.

Sir, Your editorial [illegible] a response. The review [illegible] about [illegible] [illegible] [illegible]. It [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] district communities, [illegible] the widespread [illegible] [illegible] [illegible] which [illegible] [illegible] [illegible] government [illegible] what, and ideally produce savings in the [illegible].

That unitary authorities [illegible] [illegible] [illegible] [illegible] [illegible]able. [illegible] Local Government Commission [illegible] calculates that significant savings will often be possible. And, in Buckinghamshire, [illegible] [illegible] other [illegible], there [illegible] overwhelming support [illegible] change.

The review must, therefore, be completed.

Brian White,
chair of [illegible] local [illegible]
working group,
Milton Keynes Borough Council,
Civic Offices,
Cental Milton Keynes

From Mr John Pearson.

Sir, Your editorial stance on the local government review in England is well rehearsed.

However, I must [illegible] an [illegible] in your leader. The commission has [illegible] conducted "postal [illegible]". We are sending leaflets to 12m households as part of an unprecedented public consultation [illegible] and, on [illegible] returns [illegible] far, we [illegible] [illegible] [illegible] 1m individual [illegible]. (The Royal Commission on Local Government in England, which in [illegible] [illegible] [illegible] local gov[illegible] [illegible] three [illegible], [illegible] [illegible] [illegible] [illegible] 600 individuals in all.)

All [illegible] submitted to [illegible] [illegible] with the [illegible] [illegible] we [illegible] [illegible] consider, will [illegible] taken [illegible] [illegible] [illegible] we [illegible] [illegible] final recommenda[illegible] [illegible] [illegible] secretary [illegible] [illegible] for the [illegible] [illegible] this [illegible]. We [illegible] not returning [illegible]cers in [illegible] plebiscite – but public opinion, measured in a variety of ways, will of course be important.

John Pearson,
director, Local Government Commission for England,
[illegible] Court,
10/11 Great Turnstile,
Lincoln's Inn Fields,
London WC1V 7JU

From Councillor Mrs M Duddy.

Sir, As leader of Macclesfield Borough Council, the 25th largest shire district in England, I know that the establishment of a unitary council in our area would be of great benefit to our residents and businesses. This view is shared not only by the council but also by our local business community, led by large employers such as Zeneca and Ciba, both of which have their headquarters in the Borough of Macclesfield.

Macclesfield has a population of more than 151,000, as big as many metropolitan districts. Unlike them, though, we do not control the majority of decisions affecting our area as 90 per cent of our council tax goes straight into Cheshire County Council's coffers.

The two-tier system is an anachronism which only serves to frustrate efficient and responsive local government. The proposal of the Local Government Commission to create five unitaries in Cheshire should be warmly welcomed as the opportunity to free us from the unnecessary and costly bureaucracy.

Margaret Duddy,
Town Hall,
[illegible] [illegible] 1DX

Baccalaureate offers more depth and flexibility

From [illegible] [illegible]

Sir, With [illegible] [illegible] your editorial, "A-levels fail [illegible] [illegible] of time" (August 22), any unbi[illegible] [illegible] [illegible] [illegible] [illegible] specialising in [illegible] subjects [illegible] [illegible] [illegible] [illegible] 16 [illegible] detrimental [illegible] a [illegible] development and, [illegible] [illegible] [illegible] run, [illegible] the nation's [illegible].

However, [illegible] alternative you [illegible], [illegible] A-levels, with [illegible] [illegible] per [illegible] lighter syllabus, is only [illegible] partial [illegible]. [illegible]tifically-inclined students [illegible] [illegible] [illegible] [illegible] only [illegible] [illegible] [illegible] subjects, while [illegible] others would tend [illegible] [illegible] only arts subjects [illegible] languages. This system would thus [illegible] the danger of producing [illegible] large number [illegible] what [illegible] known in German as [illegible].

Surely [illegible] [illegible] [illegible] preferable [illegible] introduce [illegible] system similar [illegible] that [illegible] the International Baccalaureate: students [illegible] [illegible] [illegible] exams, English (in English-medium schools) [illegible] maths [illegible] compulsory as are one [illegible] subject, [illegible] arts subject (for example, history [illegible] economics), and [illegible] [illegible] language. [illegible] sixth subject may be [illegible] from any of these groups. In addition, students may, if they wish, take a seventh or even an eighth subject, and a class in epistemology and an "extended essay" are also compulsory. This system has the merit of striking a good balance between a broadly-based and an in-depth education while [illegible] the same time allowing a good deal of flexibility.

Christian Favre,
[illegible] Rue de Saussure,
1204 Geneva,
Switzerland

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Tuesday August 30 1994

The prize of Mideast peace

It is still too early to be fully confident that the Middle East peace process is irreversible, but timely to assert that the prize is now almost within the participants' grasp. The symbolism of the Madrid conference in 1991, the handshakes between Mr Yitzhak Rabin, the prime minister of Israel, first with Mr Yassir Arafat of the PLO, and more recently with King Hussein of Jordan, could be greeted with scepticism for so long as there were no tangible changes on the ground. But those changes are now happening.

Israeli troops have withdrawn from a small part of occupied territory, and Israel is handing over important civil powers to a Palestinian authority. Mr Arafat is back on home soil, backed by substantial pledges of international aid. Tourists are already taking advantage of the new border crossing between Israel and Jordan. King Hussein's embattled economy will soon begin to benefit from debt forgiveness of as much as \$2bn over the next three years. Plans are being laid for roads linking Jordan and Israel and schemes for sharing electricity, airports and port facilities. Populations may not yet feel the benefits, but governments can begin to see the dividends of peace.

The desire to realise those dividends should provide the strongest incentive for maintaining the momentum among those leaders already committed to the peace process. Mr Rabin, Mr Arafat and King Hussein find themselves in the same boat, albeit not yet rowing in precisely the same direction. They need the process to succeed for the overwhelming reason that personal, party and dynastic futures may depend on it. They are aware equally that the lack of an agreement between Israel and Syria could threaten further progress and, at worst, undermine what has already been achieved.

High ground

Mr R[illegible] calculations over the next few months will be crucial. He holds the high ground – literally on the Golan heights and [illegible]litically at home w[illegible] [illegible]kish elements [illegible] opposition are in increasing disarray. Mr [illegible] and [illegible] Israeli public know the price demanded by Syria, which is an eventual full withdrawal from the Golan. The timing and terms of that withdrawal, through which Israel can be reassured of Syria's long-term commitment to peace, are at the heart of US mediation efforts. The gap is narrowing, must be bridgeable, and if closed would not just inject a new surge of optimism into the peace process but would encourage the belief that other apparently irreconcilable [illegible] such as [illegible] future [illegible] of Jerusalem, might one day be resolved.

Old sureties

The clock [illegible] ticking [illegible] President [illegible] al-Assad in Damascus. The old sureties, such as the support of Moscow, have gone. King Hussein has set his own agenda, without reference to Syria. Improved relations with Washington will not bear much-needed economic fruit for Syria until there is progress in the negotiations with Israel. Mr Assad may have crushed Islamic forces at home, but he is riding the Hizbollah tiger in southern Lebanon which could yet cause him severe embarrassment. To enhance the prospects of the Alawite minority's maintaining its dominance after his departure, Mr Assad needs to bequeath a more stable future than a continuing, debilitating conflict with Israel.

In Syria, as in Egypt, Jordan, liberated Palestine, the occupied territories, Lebanon, and Israel, the most vigorous opponents of the compromises needed to secure peace are also those who would expect to benefit most politically from the failure of the present process. The closer peace comes, the more desperate and dangerous those forces will become, as recent bombs in London and Buenos Aires [illegible] shown. The proper response must be greater vigilance, restraint ([illegible]cially by Israel), and more emphatic efforts to eradicate the conditions which breed such extremism: occupation, poverty, and the absence of hope for a better future. The next steps are clearly signposted. Israel must speedily complete its withdrawal from most of the West Bank, and Mr Arafat should stop complaining about the conditionality of [illegible] and use what is available as rapidly and effectively as possible. If at the same time the US steps up its efforts to broker a deal between Israel and Syria, the prize will be truly within reach.

Venturing capital

[illegible] cornucopia of special incentives [illegible] to encourage savings here and [illegible] investments there. Splendid [illegible] job-promoting schemes [illegible] inspectors, [illegible] investment advisors, this host of schemes is impossible to justify. That is true even of the almost universally lauded desire to provide special help [illegible] small [illegible]

[illegible] justifications can [illegible] advanced for offering special incentives to small companies. First, small business finds it difficult to raise money because investors face obstacles in identifying honestly-run companies with good prospects, in monitoring their behaviour and in realising investments. This may justify efforts to subsidise information. But subsidising particular investments mainly increases tax avoidance.

A second argument is that high rates of capital gains tax (up to 40 per cent) in the current tax system discriminate against investment in small enterprises. Given corporation tax, CGT entails the double-taxation of retained earnings. Since growth in the val[illegible] of small enterprises partly depends on rapid accumulation of retained earnings, this may raise an obstacle to investment in such enterprises. Mr Clarke's unfortunate decision to eliminate indexation of capital losses in the 1993 Budget further reduces the attraction of investment in the small business lottery, where investors hope that a few big winners will offset their many losers.

Poor measures

The first of these arguments is far from overwhelming, while the second concerns capital gains taxation in general, not small business promotion in particular. It is difficult, therefore, to be enthusiastic about the special measures announced by the chancellor of the exchequer last November.

At that time, capital gains tax roll-over relief for profits reinvested in private companies was broadened. In addition, the Enterprise Investment Scheme was introduced as an alternative to the Business Expansion Scheme, which had been hi-jacked by property investments. Being less generous and better focused, the new scheme should be less wasteful.

Legislation is now being drawn up for a third vehicle, the venture capital investment trusts. The Inland Revenue views these as [illegible] of personal equity plans, with similar [illegible] of [illegible] gains. Because the trusts will have relatively liquid publicly quoted shares, the Revenue does not appear to favour up-front tax relief, even at the 20 per cent level allowed in the EIS scheme. The Revenue is also proposing to limit venture capital trust investment in any company to £1m. Since the fewer the special incentives the better, hats go off to the Revenue.

Extensive lobbying

Inevitably, there has been a cacophony of lobbying for changes. The loudest has come from the Association of Investment Trust Companies, which says its members are unlikely to launch new trusts unless the maximum investment limit is raised. Investing in lumps much smaller than £3m would be too demanding on management time and render the trusts unviable, it argues.

This should be ignored. Venture capital institutions, such as 3i, adequately meet the demand for larger deals. Setting the limit [illegible] £3m would also deny many of the smaller companies the seed capital venture capital trusts are being set up to provide. Investments in smaller companies, those most likely to be curtailed by lack of information, are the ones that most deserve help.

One area where something might be done is to extend CGT roll-over relief to capital gains reinvested in venture capital trusts. But this is mere tinkering with the problem. What is needed is to make roll-over relief generally available. By restricting CGT to ultimate disposals, this would limit its effect on people's ability to trade assets and move the system towards expenditure taxation.

Greater fiscal generosity would, of course, generate more investment in small enterprises. But that in itself cannot be a sane objective. What matters is to promote economically productive investment. The way to be more confident that this is occurring is to stop producing one clever wheeze after another and develop coherent reform of the taxation of savings and investment.

As Russian troops leave Germany, **Judy Dempsey** examines future relations between the two countries

Gone but not forgotten

Homeward bound: a Russian combat unit, one of the last to leave Germany, marching in Grimma, Saxony AP

The last train to [illegible] village of Wünsdorf, south of Berlin, departs tomorrow, just as President Boris Yeltsin will be attending the formal ceremonies in the German capital to mark the end of Russia's 49-year military occupation of east Germany.

For the past [illegible] village, hitherto headquarters of Moscow's so-called western group of forces, its army [illegible] occupation in Germany, has almost drowned in a tide of celebration and nostalgia. Vodka and champagne have flowed as the departing Russian soldiers bade a tearful farewell to friends.

When the last Russian troops leave, the effects of their long stay in east Germany will certainly not disappear. For a start, they are leaving behind them, in Wünsdorf as on 250,000 hectares of other Soviet garrisons and airfields, shooting ranges and waste dumps, an environmental nightmare: untreated sewage, pools of toxic chemicals, oil and petrol, unexploded shells, and abandoned equipment. The cost of the clean-up is still unknown.

Yet the environmental problems are not the real issue. For the departure of the Russian troops ushers in a new era in German-Russian relations which will remain for the foreseeable future both acutely sensitive, and central to the lasting stability of the European continent.

For Chancellor Helmut Kohl and his government, as well as for the vast majority of the German people, the highly visible and symbolic departure of the Russians is a matter for whole-hearted enthusiasm. More than any other event since the breaching [illegible] Wall, [illegible] marks the end of the second world war, and the return of a united Germany as a sovereign state.

Indeed, Mr Kohl is exploiting the event for all it is worth in his ambition to be re-elected chancellor in October, presenting it as the ultimate achievement of his government over the past four years.

[illegible] Mr Yeltsin, [illegible] an altogether [illegible] problematic occasion. [illegible] emphasises the retreat of Russia from its erstwhile empire, and it gives grist to the mill of the nationalist lobby back in Moscow. He has to emerge looking dignified, even in what many former Red Army officers see as a defeat.

It is a dilemma about which Mr Kohl is sensitive, even as he seeks to gain all the votes he can garner from the television pictures of the departure. In recent weeks the German government has embarked on a public relations exercise aimed at reassuring the Russian people that the end of their military occupation can only improve their bilateral and international relations.

There is no doubt that the fear exists in Moscow that Bonn will mark the Russian retreat either [illegible] downgrading its relations [illegible] its biggest eastern partner, or by adopting a much less (financially) generous attitude towards its yawning debt and development nee[illegible]

In an interview with Mr Kohl in *Izvestia* last Friday, Mr Sergei Sosnovsky of the Interfax news agency suggested that "there is a view that following the withdrawal of the troops, the Germans will begin to speak a 'different language' to the Russians, because the Russians will have lost their final trump card in relations with Germany".

"Those fears are groundless," Mr Kohl retorted. "Germans and Russians have learned the lessons of history. Both sides have a vital interest in promoting the cause of stability and peace on the continent through far-reaching co-operation."

It is certainly true that the whole direction of Germany's *Ostpolitik* – its policy towards the east – since the demise of the Soviet Union, and its own re-unification, has been aimed at the preservation of peace and stability on its eastern border – [illegible] all in [illegible] Union. [illegible] policy [illegible] underpinned Germany's diplo[illegible] strategy, [illegible] ony in a host of ways.

"Germany is streets ahead of the entire international community [in terms of its support for refrom]," Mr Kohl told Izvestia. "We did not do this just because of the presence of Russian troops. Rather, we regard this contribution as a good investment in a long-term relationship between Germans and Russians."

According to Deutsche Bank, traditionally the most heavily involved of the German commercial banks in the former Soviet Union, the German banking sector has outstanding loans to Russia of between \$10bn and \$12bn. That amounts to about 25 per cent of all the loans to the former Soviet Union owed to western banks grouped in the London club of commercial creditors.

In addition, Hermes, Germany's export credit insurance agency, has a total [illegible] although it has cut back on [illegible] in [illegible] in [illegible] except [illegible] for [illegible] exporters.

Bonn [illegible] paid [illegible] DM14.6bn [illegible] withdrawal [illegible] Russian troops from [illegible] Germany, primarily [illegible] pay [illegible] their rehousing [illegible] in technical and humanitarian assistance, [illegible] DM4.2bn [illegible] financing investment projects.

On [illegible] negative side, [illegible] between [illegible] declining since 1990, and last year totalled DM22.1bn – one quarter of Russia's total foreign trade, but only 2 per cent of Germany's.

As for the *Ostpolitik*, officials in Bonn are adamant that the troop withdrawal will not change the basic direction of its foreign policy: to promote stability across eastern Europe and, crucially, to reassure Russia that its own security interests will not be threatened.

"It would be stupid for the Russians to think this will be changed," according to one senior German diplomat. "Of course the symbolism of the troops leaving [illegible] Germany [illegible] important. But the main plank of our foreign policy towards Russia has been in place for some time, and we will [illegible] pursue it."

Again and again, Germany's foreign policy specialists [illegible] the need [illegible] put Moscow's own security fears at rest. "Russia sees its security interests as being under threat from eastern Europe, in the sense that Nato will be extended to the borders of Russia, leaving Russia vulnerable," the diplomat said. "That [illegible] why [illegible] and our European Union partners, [illegible] had painstakingly [illegible] explain to the governments [illegible] Europe that [illegible] could [illegible] bring them [illegible] the [Nato] Partnership for Peace programme without including Russia."

[illegible] counterpart [illegible] policy [illegible] reassuring [illegible] dampen the expectations of the central and [illegible] Europeans, including the [illegible] independent Baltic republics.

"[illegible] are trying [illegible] explain [illegible] them why they must not block out Russia," [illegible] diplomat [illegible]. "It is [illegible] dangerous. They [illegible] new [illegible] with [illegible] because an eastern Europe which [illegible] perceived to be hostile by [illegible] play [illegible] the hands [illegible] the nationalists and [illegible] to instability.

"Russia [illegible] Europe. It [illegible] new relationship [illegible] Europe in order [illegible] come [illegible] with the [illegible] expanding towards its borders." When Finland joins the [illegible] January, [illegible] EU will [illegible] have a Russian frontier.

Bonn believes [illegible] Moscow [illegible] the importance [illegible] bilateral relationship, and will itself try to preserve it. It wants the German government to continue [illegible] a sober, moderating voice in international organisations, allowing Russia to pursue its interests.

"Those interests are becoming clearer," said another German diplomat. "I believe Russia is pursuing a sober, if not cynical, strategy. It wants to be the first among the former Soviet republics to get on its feet." Bonn [illegible] prepared [illegible] that [illegible] strategy, not [illegible] because German [illegible] are haunted by a nightmare. That is the danger of big differences between the rate of economic growth in different parts of eastern Europe, leading to a backlash against the slow pace of reforms in some of them.

"They could be drawn back again into the former Soviet Union. In such a scenario we should not exclude the prospect of a new military-type Warsaw Pact Two emerging," the diplomat said.

That is the concern which will temper too much triumphalism tomorrow on the streets of Berlin when President Yeltsin comes to bid farewell.

An appointment is a contract which is breached by unpunctuality, argues **David Lascelles**

Latecomers, time's up

If I was given the opportunity to expunge a single human vice, it would be unpunctuality. Vice is not too strong a word for it. We are talking here about something that is selfish, damaging and – since this is a business newspaper – expensive. And there are few vices that can claim to be all three.

That may sound a bit strong, coming from a member of a profession which is notorious for its inability to keep appointments. But even journalists know the value of punctuality. There would not be much in today's newspaper if they did not.

The [illegible] divides into people who are punctual and those who are not, and the gulf between them is gapingly wide. Speaking as a member of the first group, I can explain why I resent unpunctuality, but I can only make a biased guess at what goes on in the mind of a habitually unpunctual person.

Punctual people find it impossible to understand how anyone can bear to be late – how, indeed, anyone can imagine that there is any alternative to arriving on time, other, perhaps, than arriving five minutes early. They are probably born that way. That would explain the rush of anger they [illegible] other people's lateness. But let us try to rationalise this feeling for a moment.

Punctuality is partly about manners. It is rude to turn up late because it inconveniences the person you are meeting. An appointment is a form of contract which is breached by unpunctuality. And it is a particularly personal form of contract [illegible] it involves [illegible] physical presence of both parties. The argument that punctuality is essentially a social virtue is reinforced rather than weakened by the fact that some nations consist entirely of unpunctual people. In countries where it is customary to turn up half an hour late, the code still exists; it merely has 30 minutes built into it.

Things which never would be missed

But punctuality is also about order and economy, both of which make the world go round. Unpunctuality is about anarchy and waste, which are destructive. Unpunctuality is also corrosive. It destroys punctual habits in other people – as in the case of regular meetings which always start late because a few people persistently fail to show up on time. Eventually, everyone rolls up late.

Part of the resentment that punctual people feel stems, I think, from the sense of injustice that unpunctuality creates. If punctual people believe that civil behaviour demands that people arrive on time, the same code obliges them to deal civilly with [illegible] arrivals, no matter how strongly they [illegible] them.

[illegible] punctual people, A and B, sitting [illegible] a meeting table, waiting for third person, C.

A: (looking at watch): "He's a quarter of an hour late."

B: "Shall we start without him?"

A: "Give him five more minutes."

Enter C in a flurry of lateness.

C: "Gosh I'm sorry I'm so late."

A and B (in unison): "Not at all. Difficult morning?"

C: "Terrible. Been waiting long?"

A: "No, only a few minutes."

This scene illustrates two things. One is that unpunctual behaviour triumphs. The other is [illegible] unpunctual person [illegible] never made fully aware of the inconvenience he has caused. He therefore never corrects his fault. There is nothing to be lost from being unpunctual.

Unpunctual people seldom think of themselves as such. Insofar as I can understand them, they seem to think that punctuality is a sign of pettiness, of warped [illegible]. They have trouble linking it with notions of selfishness or anti-social behav[illegible].

People will doubtless resent the moral-sounding tone of this article. Unfortunately, the punctual habit brings no sense of righteousness, no moral glow. It [illegible] in many [illegible] curse: it condemns you to a lifetime of anxiety, to a gut-tightening [illegible] of delay – all overlaid by the sense of frustration I have already alluded to.

Maybe punctual people are at fault [illegible] not dealing more severely with late people. Their tolerance prevents a kind of Darwinian process from breeding out the unpunctual habit. [illegible] society needs [illegible] which penalises unpunctuality. [illegible] it is not [illegible]. Unpunc[illegible] people [illegible] little sense [illegible] shame, and they can usually judge how strongly their presence [illegible] required. Therefore [illegible] point in being forthright with them, [illegible] in trying [illegible] shut them out.

The [illegible] in inconvenencing [illegible] in some [illegible] irritate them [illegible] make them feel [illegible]: such as removing all empty [illegible] from a meeting room at the appointed time. I'm [illegible] some [illegible] here.

OBSERVER

Daniel for lion's den

Daniel Goeudevert, last heard slamming Volkswagen's back door a year ago after being booted off the group board, has popped up at the side of would-be German chancellor Rudolf Scharping.

The 52-year-old Frenchman yesterday became the Social Democrat leader's personal adviser on Franco-German affairs, part of a series of changes designed to inject some verve into the diffident Scharping's election campaign.

A thoughtful, literary type who fell foul of VW boss Ferdinand Piëch, Goeudevert has in the interim been convalescing quietly on a DM4m "consultancy fee" from the company.

He has been padding out what he describes as "this vacuum, this emptiness" as vice-president of the International Green Cross, an environmentalist group based in Geneva.

Reputed for his impeccable intellectual honesty – he earnestly promoted sound ecological and ethical business practices before most of his former motor industry colleagues had even heard of them – Goeudevert is a handsome embellishment to Scharping's team.

But he will have to look right and left as Gerhard Schröder, the power-hungry prime minister of Lower Saxony who becomes the new "super" shadow minister, sets about trying to help the SPD get elected.

For Goeudevert and Schröder were last seen hurtling down the Autobahn in opposite directions. The man most likely to oust Scharping if he fluffs it, Schröder is also the spokesman for Lower Saxony's controlling minority stake in VW. From his perch on the car-maker's supervisory board, he provided indispensable support for Piëch's campaign to send Goeudevert into the wilderness.

On the one hand

■ City headhunters take note. Officials at Lehman Brothers have dispensed with the highly-priced services of the middle man and are letting their own fingers do the walking.

The investment bank has recently lost its chief international economist to the Institute for Public Policy Research and its UK economist to ITN. So its sales people were put up to polling clients in search of their favourite practitioners of the dismal science.

Doesn't sound a bad way to proceed. After all the customer's always right.

Soft landing

■ So Stephen Wolf is really grounded for good. The man who last month quit as boss of United Airlines when employees took the controls has wasted no time in finding a new slot. But, his 28 years in the airline business notwithstanding, it is Wall Street and Lazard Frères where he is poised to land.

'If we can justify our pay rise I reckon we'll have earned it'

The airline industry is the primary loser, for Wolf had immense experience. After a low-key start with a sociology degree from San Francisco [illegible] University, he was soon winging his way upwards, initially with [illegible] Airlines.

By the time he joined United in 1987, he had seen the insides of Pan Am, Continental, Republic and Tiger International (parent of The Flying Tiger Line).

It was his success at brow beating the unions that made his departure from United an inevitability, once the workers took control.

But, precisely as a turnaround artist able to wring [illegible] from employees, Wolf, 53, will no doubt earn his keep as a senior adviser with Lazard. His advice on mergers, acquisitions and restructurings will be founded on something more than business [illegible] case studies.

At his new stable, he has a close personal friend in Ira Harris, the partner heading the Chicago office. And the firm obviously [illegible] muster on a professional basis [illegible] it advised Wolf and United in the course of the buy-out negotiations with the unions.

President who?

■ It is just a year from the presidential elections in Poland, and the present incumbent Lech Walesa is growing restless. The opinion polls make gloomy reading, so Walesa has gone in search of scapegoats.

The first casualty seems to be his faithful press spokesman Andrzej Drzycimski, who has been dispatched on "extended holiday". Francis Cybula, the president's chaplain and confessor since his days as a youthful trade union leader, is also not expected to [illegible].

In the meantime, Walesa seems to reckon he can do better himself – at least in the former capacity. Last week he dialed The Wprost with his personal denial of a report carried in the weekly newspaper alleging he kept a number of foreign bank accounts.

Understandably, the telephonist did not immediately twig as to the caller's identity, and connected him with the sadly incomplete introduction: "There's a president on the phone."

A flustered newsman attempted to explain away the confusion. "All sorts phone up giving themselves false titles to attract attention."

Floored

■ Arcane world, the financial futures business. The latest advert for the French exchange Matif depicts [illegible] helmet, accompanied by a truly mystifying slogan to the effect that "protecting your assets is not as difficult as you may think ... Before grabbing your helmet, give us a call".

Head suitably naked, Observer rang in search of a translation. Just what did this particular piece of headgear have to do with a French franc-denominated option or any other of the market's weird and wonderful wares?

"It is a medieval 'at'," a voice in the communications department explained patiently. Puzzled silence from London. "You know what an 'elmet is? I don't know what your problem is." Ah well.

FINANCIAL TIMES
Tuesday August 30 1994

German opposition tries to regain initiative

SPD triple leadership aims to challenge Kohl

By Michael Lindemann in Bonn

Germany's opposition Social Democrats, trailing in the polls, tried to recover lost momentum yesterday by presenting a new three-man leadership which they hope will derail Chancellor Helmut Kohl's bid for a fourth term at the October general elections.

Mr Gerhard Schröder, the high-profile state premier of Lower Saxony and a rival of Mr Rudolf Scharping, the Social Democratic party (SPD) leader, has been lured into the top ranks of the party's shadow cabinet with the prospect of taking over an enlarged economics ministry.

There are hopes that Mr Schröder's aggressive campaigning, matched with the charisma of Mr Oskar Lafontaine, the Saarland state premier and the party's deputy leader, will counteract Mr Scharping's lacklustre style.

At a press conference in Bonn to present a new 16-member SPD line-up, the genial Mr Schröder found himself fielding almost as many questions as the party leader – a measure of the hopes riding on the invitation for him to join the SPD's inner sanctum.

The SPD's triple leadership contrasts with the Christian Democratic Union, which has focused on Mr Kohl as the guarantor of affluence and stability.

A poll in the weekly Bild am Sonntag newspaper suggested that if Mr Schröder were party leader, he would score 44 per cent against 34 per cent for Mr Kohl. The same poll showed Mr Scharping managing only 30 per cent against 41 per cent for the present chancellor.

The styles of the two men – bitter rivals during last year's SPD leadership contest and often [illegible] loggerheads [illegible] strategy in [illegible] months – could not have contrasted more strongly at the press conference.

Mr Schröder was relaxed and confident, relishing the cut and thrust with journalists, while Mr Scharping shuffled in his seat and seemed uneasy.

The line-up has been billed as a shadow cabinet, but if the party won the elections on October [illegible] it [illegible] have to bring in senior politicians from possible coalition partners.

Some recent opinion polls suggest the SPD may have to form a coalition with the Greens, probably requiring the Social [illegible]crats to cede two or three ministries. Other reports speculate that the Free [illegible] party, junior partners in the present government, could be drawn [illegible] a coalition.

Mr Lafontaine, the SPD leader in the [illegible] elections, would become finance minister in [illegible] SPD-led government. Mr Günter Verheugen, the SPD general secretary, would become foreign minister, and Mr Hans-Ulrich Klose, leader of the parliamentary party, would take defence.

Observer, Page 15

US seals contracts for $200m on China mission

By Our Beijing Correspondent

A US trade mission to China, headed by Mr Ron Brown, the commerce secretary, signed contracts yesterday for almost $200m in power, telecommunications and computer equipment in what US officials say will be part of $3bn in new deals announced this week.

Mr Brown, who has led similar trade campaigns in Latin America and Africa, said his delegation was vying for more than $25bn in infrastructure, aviation, auto-assembly and airport construction projects in China over the next few years. The entourage accompanying him includes 24 executives from leading US companies.

"With almost a quarter of a trillion dollars in infrastructure projects in the pipeline, we intend to compete in this market and we intend to win," Mr Brown said in a breakfast speech to the American Chamber of Commerce in Beijing.

During the second day of his week-long visit to China and Hong Kong, Mr Brown raised trade and economic issues with Mr Li Peng, the prime minister, setting the tone for future relations between the two countries, a senior US official said.

In a briefing for reporters, the [illegible] pledged [illegible] the US would become "increasingly aggressive" in matching concessionary financing to compete with Germany, France and Japan for the booming Chinese market.

Apart from the corporate executives, the delegation includes officials from the US Export-Import Bank, senior trade officials and the US executive director from the Asian Development Bank. Mr Brown had suggested the mission would herald a "new era in US-China relations".

Under a contract valued at $140m and financed primarily with government loans, Westinghouse will provide two 350MW steam-turbine generators and [illegible] equipment [illegible] a power plant in Jiangsu [illegible] in eastern China.

Pitney Bowes [illegible] US$20m agreement to sell [illegible] Chi[illegible] of 55,000 [illegible] offices. Pitney Bowes equipment will be distributed by its Chinese partner Zhongyu, a postal code and information company, established under the government's postal system.

In a third contract, International Business Machines agreed to sell $20m in software and hardware [illegible] machines, electronic [illegible] information and global information infrastructure.

Mr Brown [illegible] about human rights privately [illegible] leaders, according [illegible] senior [illegible] official, who declined [illegible] ments or how they were received.

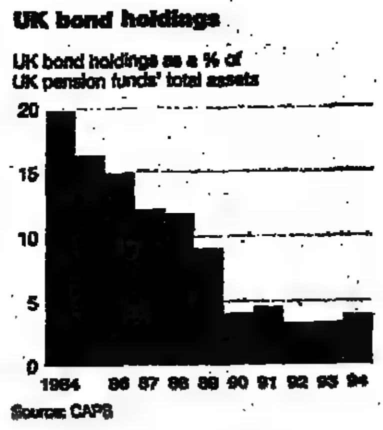
THE LEX COLUMN

Flotations at issue

The surge in London share prices over the past two weeks has reinforced expectations of a flood of equity issues after the summer lull. Flotations scheduled for the autumn will be joined by several that were pulled when the market faltered in the late spring. The rights issue flow will also restart, prompting concerns that the market may suffer another bout of indigestion. This looks alarmist. Institutional cash flows are healthy and while the memory of this year's flops will make buyers more wary there is no reason to suppose that solid, well-priced issues will have any trouble.

It is the international scene that is more difficult to judge. There is a queue of multi-billion dollar privatisation issues in Europe and Asia, including Lufthansa in Germany, Renault or AGF in France, Repsol in Spain, Enel or Stet in Italy, Nordbanken in Sweden and possibly the Greek telephone company OTE. The flotation of the Indian telecommunications group VSNL may also be revived if it can fight its way through a crowd of other new issues.

Unless some are brought forward to take advantage of the current firm markets the programme looks no heavier than earlier in the year. But one of the props for recent issues, the wall of American money, may be weakening. The hedge funds in particular, which had been big buyers, can no longer be relied on. Governments, eager to balance their budgets by selling off state assets, may have to work harder to attract domestic funds.



UK corporate bonds

Among the many and varied financial instruments that the City can offer UK companies there is one glaring omission: corporate bonds. Only the biggest UK companies can issue bonds in the UK and they very rarely try. Instead many turn to the US, where they can tap the publicly-traded markets or go directly to a few institutions with a private placement. The latter is an increasingly popular option for medium-sized British companies which are looking for cheap, long-term, fixed-rate capital. In the US, small growing businesses can also use the bond markets but it is not an option for their counterparts in the UK.

It [illegible] not just companies that wish it were otherwise. The lack of [illegible] corporate bond market was one of the concerns expressed by Mr Stephen Dorrell, former financial secretary to the Treasury, in his review of capital markets. This will only change if UK institutions rediscover a taste for corporate bonds. Forty [illegible] ago the [illegible] pension fund portfolio [illegible] invested 40 per cent in gilts and 10 per cent in corporate bonds. Now the comparable figures are less than 10 per cent and next to nothing. [illegible] reason [illegible] simple: [illegible] UK's awful post-war record on inflation [illegible] away at the value of fixed-interest holdings.

But with inflation down to 27-year lows, the optimists believe a UK corporate bond market might reappear. It could be helped on its way if the government further reduced the tax advantages of equities, though this would be fiercely resisted by many in the City. Proposed changes to pension fund solvency standards might provide another boost. But these are years away and institutions might still worry about the liquidity of corporate bonds. Index-linked gilts will remain a much safer alternative until it is clear that inflation is tamed. For most fund managers that point is some way off.

Building societies

Lloyds bank shareholders, eagerly awaiting [illegible] interim figures from Cheltenham & Gloucester, should get further pointers from today's Alliance & Leicester numbers. Recent sector results have not been particularly encouraging. Coventry, the 15th largest building society, last week reported a fall in operating profits while Bristol & West suffered a dip in income which was barely offset by reduced administrative expenses.

Societies are under intense pressure in both the savings and mortgage markets. After seeing a net outflow of savings in the first half the sector had a better July helped by higher rates on longer term investments. But competition from unit trusts and Peps remains fierce. On the other side of the business, societies appear to have picked up market share from the banks in July but net new commitments were down on the previous month and even the optimists see only a slow and faltering recovery in mortgage demand.

The resulting squeeze in margins can only accelerate consolidation in the sector. But the pressures are far from unbearable. As margins rose along with bad debts in the recession, it is only to be expected that they should fall in tandem now. With provisions tumbling, return on capital is healthy and societies remain financially strong. C&G, in particular, is prepared for tough markets and, though its deposits are particularly footloose, that is because it has already proved it can compete on price. As for its growth prospects, they are still better than Lloyds', though that is not saying much.

Corporate disclosure

A great deal of nonsense has been talked about the new insider dealing rules which came into force on March 1. The changes were introduced in order to comply with a Brussels directive, not to improve the chances of securing convictions for insider dealing. On the contrary, the authorities believe that, if anything, they could make it more difficult.

Admittedly, the new rules have a broader scope and in theory appear severely to restrict informal communications between companies and analysts. But, whatever the letter of the law, the authorities have no interest in preventing normal information flows. It is the cosy chats where analysts' forecasts are steered down with [illegible] nudge and a wink that they want to stop and these were banned under the old rules.

The scaremongering that accompanied the changes created some alarm and confusion among companies. But the fact that their behaviour seems to have changed little suggests that most were fairly careful about their communications anyway. Most companies believe the new rules make their investor relations more difficult but for those that remain worried about the implications there is one simple rule: when in doubt put an announcement out. Yet companies still seem to be shy of taking the obvious step of issuing quarterly statements.

New York labours to recycle its rubbish as garbage grows

City authorities oppose 25% target set for 1995

Bronwen Maddox
In New York

"Look [illegible] there – [illegible] violation," shouts sanitation police officer Julius Ingram, wheeling his blue and white New York City police car into a U-turn. "Liquor bottles and loose boxes," he pronounces with satisfaction.

That is the least of it. The pavement of this narrow road off West 211th Street, high up in Manhattan's desolate northern tip, is covered with metal shards and rotting fruit as well as discarded bottles. We are cruising the back streets of Washington Heights and Inwood on dawn patrol to enforce the city's tough and increasingly controversial laws on recycling rubbish.

Residents are now mounting a campaign against the vigilence of the city's garbage police. Meanwhile, the city, worried about the rising costs of recycling, [illegible] challenged a State Supreme Court order for it to double present recycling levels.

Leaflets in English, Spanish and Chinese tell residents to tie all cardboard and paper into bundles with string, and to put metal cans, glass and plastic into pale blue plastic sacks. It seems a lot to ask of an unruly, largely Spanish speaking district, packed with illegal immigrants from the Dominican Republic and riddled with drug dealing.

But officer Ingram is undeterred. The grimy six-storey apartment block, which bears a sign proclaiming "Centre for International Aliens", has failed to flatten its boxes correctly. Writing out a pink ticket for a $25 fine, he sticks it with masking tape to the door.

The recycling programme, in its fifth year, has achieved more success than sceptics expected. Washington Heights, which recycles nearly [illegible] per cent [illegible] household rubbish, [illegible] only slightly below the programme's average, but a world away from the 28 per cent in Manhattan's elegant, environmentally concerned Upper East Side.

But overall the city's recycling falls far short of the 25 per cent target for 1995 required by state law. The programme has provoked opposition from residents who feel they are sometimes unfairly fined. It is also expensive, although much of the annual budget – $78m last year – is passed on to residents.

The underlying problem is that the city is running out of places to put its rubbish. Districts to the north are reluctant to take the waste, as are neighbouring states. "No one wants New York's garbage," says Ms Marsha Bystryn, assistant commissioner of the city's recycling department. "It's like it came from Sodom and Gomorrah – who knows what might be in it."

Moscow battles farmers over grain prices

Continued from Page 1

only 55 per cent of the crop had been harvested at a time when normally nearly all the area's grain and vegetables had been gathered.

Mr Viktor Chernomyrdin, the prime minister, threw down the gauntlet at the weekend when he warned farmers in central Russia [illegible] the [illegible] would not pay more than world prices for grain this autumn. If farmers refused to sell their grain at these prices, Mr Chernomyrdin cautioned, the government "is buried under more favourable offers from foreign grain producers". Here there are people who are very keen to [illegible] a price considerably [illegible] levels."

The prime [illegible] tough [illegible] just two days [illegible] a group of [illegible] demonstrated in [illegible] to protest what they described as the government's "criminal destruction of Russian agriculture".

Farmers complain that they are caught in a "scissors crisis", like the one which crippled the Russian economy in the 1920s, in which prices for manufactured goods are outstripping agricultural prices, making it impossible for farmers to buy necessary fuel, machinery and agricultural inputs.

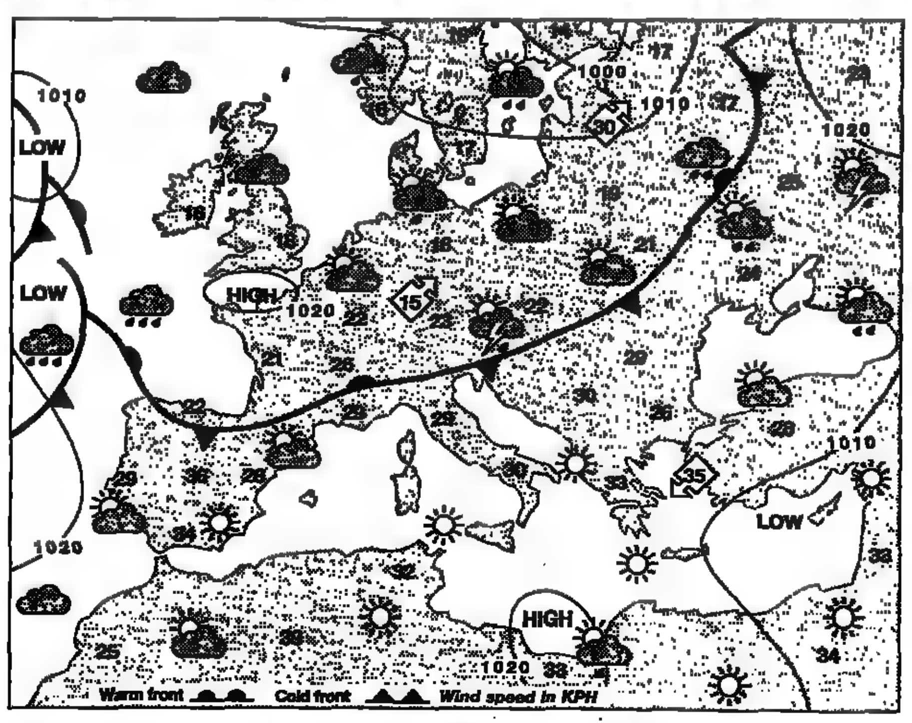
FT WEATHER GUIDE

Europe today

A depression over the Atlantic will approach north-western Europe causing unsettled conditions. As a result, there will be heavy rain in Ireland and western France. High pressure centred over the Channel will bring mainly dry but cloudy conditions to northern France and the Benelux.
Denmark, southern Scandinavia and most of France will be sunny with some showers. Other parts of Scandinavia will be cloudy with showers due to a depression over Finland. Thunder storms will form over the Alps near a cold front which will extend towards the Ukraine. The [illegible] countries will be mainly sunny and warm.

Five-day forecast

For the next few days the high over the Channel will build and move [illegible] Scandinavia, bringing sunny and warm conditions to northern Europe. The Low Countries and northern parts of the British Isles will also have sunny periods. Meanwhile, a frontal zone bringing showers will move from western Europe into central Europe. The Alps will have a lot of rain. The Mediterranean countries will be warm and sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	41
Accra	cloudy	28
Algiers	fair	34
Amsterdam	fair	19
Athens	sun	33
Atlanta	fair	29
B. Aires	fair	21
B.ham	cloudy	17
Bangkok	shower	32
Barcelona	fair	28
Beijing	fair	30
Belfast	rain	16
Belgrade	fair	29
Berlin	fair	21
Bermuda	fair	33
Bogota	shower	19
Bombay	rain	30
Brussels	fair	18
Budapest	shower	26
C.hagen	cloudy	17
Cairo	sun	35
Cape Town	sun	22
Caracas	shower	27
Cardiff	cloudy	19
Casablanca	cloudy	24
Chicago	cloudy	24
Cologne	fair	18
Dakar	cloudy	28
Dallas	sun	36
Delhi	shower	29
Dubai	sun	42
Dublin	cloudy	16
Dubrovnik	fair	28
Edinburgh	cloudy	16
Faro	sun	28
Frankfurt	cloudy	22
Geneva	fair	24
Gibraltar	fair	27
Glasgow	shower	16
Hamburg	shower	19
Helsinki	shower	17
Hong Kong	shower	29
Honolulu	fair	32
Istanbul	fair	27
Jakarta	fair	32
Jersey	cloudy	17
Karachi	rain	28
Kuwait	sun	46
L. Angeles	sun	28
Las Palmas	fair	26
Lima	cloudy	19
Lisbon	fair	26
London	fair	19
Lux.bourg	fair	19
Lyon	fair	26
Madeira	fair	24
Madrid	sun	35
Majorca	fair	32
Malta	sun	32
Manchester	cloudy	17
Manila	cloudy	33
Melbourne	fair	21
Mexico City	fair	21
Miami	thund	30
Milan	thund	28
Montreal	shower	23
Moscow	shower	17
Munich	fair	23
Nairobi	cloudy	21
Naples	sun	32
Nassau	shower	29
New York	fair	29
Nice	fair	29
Nicosia	sun	35
Oslo	cloudy	18
Paris	fair	22
Perth	shower	18
Prague	fair	20
Rangoon	rain	30
Reykjavik	fair	12
Rio	fair	25
Rome	sun	30
S. Frsco	fair	20
Seoul	shower	29
Singapore	shower	28
Stockholm	fair	18
Strasbourg	cloudy	22
Sydney	fair	24
Tangier	fair	28
Tel Aviv	fair	32
Tokyo	fair	32
Toronto	shower	18
Vancouver	shower	19
Venice	fair	26
Vienna	fair	26
Warsaw	shower	20
Washington	cloudy	27
Wellington	shower	12
Winnipeg	fair	16
Zurich	shower	22

هكذا في الاصل

FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday August 30 1994

IN BRIEF

Euro Disney asks for share probe

Euro Disney, the troubled leisure group, is to ask the Paris stock market authorities to investigate the recent fall in its shares, which yesterday were twice suspended after plunging to a record low. Page 19

Skandia deep in the red
The turmoil in international bond markets had a dramatic impact on the first-half results of Skandia, the Swedish insurer. The group slumped to a SKr2.40bn ($322.9m) loss from a SKr1.66bn profit. Page 19

Coca-Cola, Nestlé remodel link
Coca-Cola and Nestlé [illegible] streamlining their global co-operation in the ready-to-drink tea and coffee sector. The two groups will dissolve a joint [illegible] created in 1991. Page 18

First Rise alliance comes undone
Digital Equipment's decision to sell its 7.9 per cent stake in Olivetti of Italy at a whacking loss should not have come as much of a surprise. Page 19

MAN suffers earnings drop
MAN, the engineering and commercial vehicles group, claimed yesterday to have ridden out the recession, in spite of a 30 per cent drop, to DM160m ($98.7m), in net earnings. Page 18

Rules have little impact
The new insider dealing regulations which came into force on March 1 have had little impact on the way companies communicate with the City according to a survey published today. Page 21

Banks change their attitude
Debt-for-equity swaps have always been a last resort for British lenders, representing a fleeting hope of some future pay-back, when the alternative is probably nothing. Page 21

Conflicting influences in Stockholm
The Swedish stock market has been getting plenty of what it likes in recent weeks, as a stream of interim reports from the big multinationals have more than matched expectations. Unfortunately, there have been equally big doses of what it dislikes: volatile interest rate and currency movements. Page 24

Government bonds push ahead
European government bonds pushed further ahead yesterday following Friday's strong rally but trading volumes were small with London markets closed for the UK summer bank holiday. Page 20

Ivax buys Zenith in generic merger

By Richard Waters in New York

Ivax, a generic drugs manufacturer based in Miami, announced the purchase of rival drug maker Zenith Laboratories in an all-stock deal valuing Zenith at nearly $600m.

The transaction, if completed, will create what the companies claim will be the world's biggest maker of generic, or non-branded, pharmaceuticals. The two had generic drugs sales of $570m last year.

Generic drug manufacturers produce low-cost variants of branded drugs that have come off patent. A stream of patent expiries of branded drugs, together with pressure for lower-cost drugs, have made the generic sector one of the fastest growing in the pharmaceuticals industry, with the US market put at $4bn-$6bn last year.

Together, the two companies will constitute "a powerful force in a fragmented industry," said Mr Steven Gerber, an analyst at Oppenheimer in the US. Mylan, the biggest independent US generic drugs company, had sales of $250m in the year to March.

Ivax and Zenith had a pipeline of products awaiting approval from the US's Food and Drug Administration, bolstering their prospects for future growth, said Mr Gerber. Ivax said the two companies manufacture 63 different drugs between them and have applications for 40 more before the FDA.

Zenith had sales last year of $96m and net income of $18.4m.

Ivax, which had total revenues last year of $976m, generated around a quarter of its generics sales outside the US. Its principal overseas operations are in the UK, where it owns Norton Healthcare. It has operations in the Czech Republic, Germany and China.

The company has gained a reputation for skills in the manufacturer of time-release drugs, which are absorbed into the body over a period of time. This technology gives it an edge over other generics companies, to some degree protecting its profit margins. Under normal competitive circumstances, generics drugs sell for as little as 10 per cent of the price of the branded alternative.

The purchase of Zenith, which has been rumoured for some months, is likely to increase [illegible] petition [illegible] independent manufacturers.

Branded [illegible] companies have [illegible] shown interest in acquisitions in the generic area, [illegible] recently with Marion Merrell Dow's purchase of the R[illegible] Darby group.

Bull set for speedy return to profits

by Alan Cane

Groupe Bull, [illegible] troubled French computer manufacturer, will show [illegible] profit at [illegible] operating level by the end of this financial year and could be profitable at the net level by the middle of 1995.

Mr Jean-Marie Descarpentries, appointed chairman of the state-controlled group 10 months ago, told the Financial Times that the company had improved its performance faster than expected. It was now in a position to plan and implement a growth strategy.

The sale of Groupe Bull, in which the state has a 73 per cent stake, has been seen as one of the more difficult of the 21 privatisations planned by the French government. The company lost in excess of FF15bn (£1.8bn) over the last three years.

It showed an improvement in its first-half results, cutting a deficit of FF1.72bn to FF843m. Nevertheless, a turnaround at the pace indicated by Mr Descarpentries would be remarkable, and a sharp rejoinder to those who had written off Bull as the least likely to recover of Europe's ailing computer companies.

A rapid return to profitability will encourage potential shareholders, who are following the company's progress but holding back on investment. It should also convince Brussels that Bull's recovery plan is working, and clear the way for approval of a final FF3.1bn [illegible] government money to reduce Bull's debts.

It is unlikely that the govern[illegible] stake [illegible] Bull will be reduced to a [illegible] position by the end of the year. It is [illegible] that one of Bull's existing shareholders, the Japanese company NEC, will increase its shareholding and that one other [illegible] equity partner will be found.

Mr Descarpentries said any new equity partner would [illegible] to be a leader in one of [illegible] main business areas. He had been given a free hand in the choice of equity partner and there was no reason why it should not be a foreign company.

He said he was seeking industrial partners in Bull's key technologies and the first two would be announced early in September.

Mr Descarpentries said, the recovery was the result of pressure on costs and new organisational and reporting structures. He had rejected [illegible] turnround [illegible] involving closing [illegible] and huge redundancies.

Paul Abrahams explains SmithKline Beecham's hyperactivity on the deals front

A big OTC dose for growth appetite

Since April, when Mr Jan Leschly became chief executive of SmithKline Beecham, the Anglo-US healthcare company, he has been suffering from hyperactivity.

In May, he spent $2.3bn on Diversified Pharmaceutical Services, a US pharmacy benefit manager, to support his North American pharmaceuticals operations; earlier this month he offered to swap his vaccines and animal health businesses for assets from American Cyanamid before it was acquired by American Home Products; and yesterday, he splashed out a further $2.925bn on Sterling Health, Sterling Winthrop's over the counter (OTC) non-prescription medicines business.

Mr Leschly, a former Wimbledon quarter-finalist, says all this activity is part of his aim to make SB the world's largest healthcare company. Yesterday's purchase goes some way to achieving that ambition.

The deal, the largest ever OTC acquisition, doubles the size of SB's OTC operations and makes it the world's biggest maker of OTC medicines, outselling Johnson & Johnson of the US. The combined group would have OTC sales of about $2bn.

The move strengthen SB's presence in the OTC market, worth about $30bn a year and growing at a rate of about 6 per cent.

The OTC sector is being driven by the desire of drugs groups to extend the product life of their medicines after the patents expire. They believe this can be achieved by switching their drugs to non-prescription status and then marketing them direct to the public. More than half of the US's 50 top-selling drugs are scheduled to lose protection over the next four years. The OTC trend is also being encouraged by cash-strapped governments because it switches the burden of payment to the patient.

Having targeted the OTC market, Mr Leschly insists the acquisition of Sterling Health makes strategic sense in terms of both products and geography.

"Before this deal we just did not have critical mass. More than $700m of our $1bn sales were in just three markets – the US, the UK and Germany. Elsewhere we were just too weak," he says.

In contrast only 38 per cent of Sterling Health's activities are in the US. The company is the second [illegible] OTC group in Italy and France, fourth in the UK and the market leader in Denmark and Portugal. The group is also the largest manufacturer in Latin America, where the market should reach [illegible] by the end of the decade, according to IMS Global Services, the market research company. Sterling Health is among the top three OTC suppliers in the Asia-Pacific area, excluding Japan.

The deal makes SB the world's biggest maker of OTC medicines

The combined company would be market leader in Europe with annual sales of more than £200m and fourth in the US with sales above $600m. The international (rest of the world) business would total more than £300m.

In terms of products, the acquisition gives SB significant positions in the three most important OTC categories: analgesics, cough and cold remedies, and gastrointestinal products.

In analgesics, the largest segment, SB acquires Sterling's Panadol. This is sold in 64 countries and generated sales last year of $250m, making it one of the world's biggest OTC products. SB also gains Bayer Asprin in the US.

The deal also gives the group a strong position in digestive remedies, the third most important OTC category. SB is in the process of launching an OTC version of its once top-selling pharmaceutical product, Tagamet. Mr Leschly says this should complement its existing Tums and Eno antacid remedies. Sterling controls the Phillips' Milk of Magnesia and the Andrews brands.

Mr Leschly denies Tagamet could cannibalise the other digestive products. "Tagamet is a completely different ball of wax from the others," he insists. In the cough and cold market, where SB already has brands such as Contac and Night Nurse, it takes control of Sterling Health's Valda and some smaller products.

Mr Hugh Collum, SB's finance director, believes the deal makes not only strategic, but also financial sense. Sterling Health had sales last year of $1bn and made operating profits of $162m. SB gains the business for about three times sales and 18.5 times earnings. That compares with Roche's 1991 acquisition of Nicholas Laboratories at more than four times sales and about 30 times earnings.

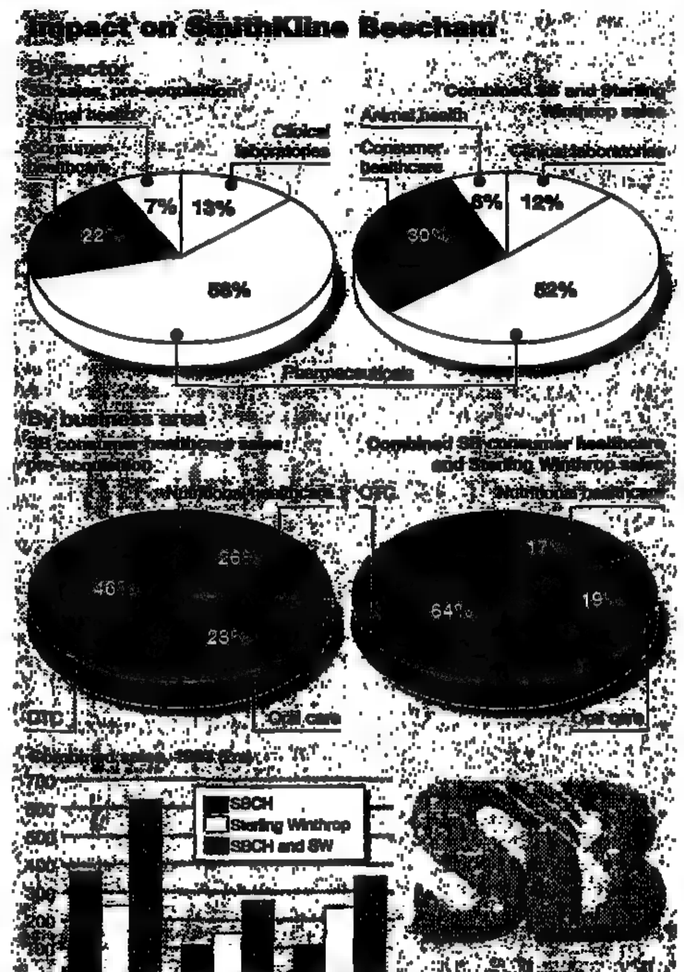
However, the deal lumbers SB with substantial debt. Mr Collum says gearing, already at 60 per cent after the acquisition of Diversified, would rise as high as 300 per cent. However, interest cover would still be about 20 times, he stresses, and gearing should fall to less than 100 per cent by 1996.

To achieve that, Mr Leschly is banking on cashflow, rationalisation and asset sales. "But we will only sell businesses when this is strategically right."

The rationalisation will involve taking costs out of the combined OTC businesses. In addition, Mr Leschly intends to cut costs at the international and European pharmaceuticals operations. Yesterday, he announced a £500m charge, half to be spent this year, half next year. Additional costs could be taken out of the animal health business in 1995, he added.

Mr Leschly's hyperactivity [illegible] incurable: he is not ruling out further deals. "We are looking for opportunities in the pharmaceuticals industry. We won't be rushed, and we certainly won't buy things at the sort of prices we've seen in recent week's [American Home Product's $9.7bn acquisition of American Cyanamid], but we're definitely in the market."

Bayer brand, Page 18



Lloyd's sets sights on extra slice of corporate funds

By Richard Lapper

Lloyd's of London is expecting to raise £125m-£250m ($390m) in capital from corporate investors over the next few months, according to Mr Peter Middleton, chief executive of the insurance market.

The extra funds will help offset a decline in capital supplied by Names, the individuals whose assets have traditionally supported the market, but the market's capacity is still likely to fall in 1995. Capacity, the amount of premiums Lloyd's syndicates can accept, is currently about £11bn but could drop next year to £9bn-£9.5bn, said Mr Middleton, giving details for the first time in an interview with the Financial Times.

The new money is likely to be channelled towards so-called "dedicated" insurance funds, which provide capital for syndicates exclusively managed by particular agencies. Several agencies – including Venton and Kiln – are working on schemes using dedicated corporate capital.

Last year corporate investors put some £800m into Lloyds investment vehicles, which spread their investments across a range of syndicates and agencies.

Mr Middleton also predicted that a large number of Names would limit their liability by joining new schemes which are expected to allow individual Names to form insurance companies. Names would transfer their liabilities to the new entities and he expected "the bulk" of Names to switch.

Lloyd's was considering a scheme proposed by Citibank as well as "three or four other very imaginative approaches". The new schemes could allow individuals to trade on an incorporated basis next year.

The number of Names underwriting as sole traders, without any limit on liability for their losses, could eventually fall to 3,000, he predicted.

However these initiatives are not expected to help Names who have insufficient resources to continue trading in the market. Mr Middleton said that while Lloyd's was keen to secure payment by Names who could afford to meet their debts, those unable to do so would not be pursued. "We are absolutely not going to knock the doors down of old women and twist their arms until they sign us a cheque."

Although some £2bn is owed by Names, as much as £15m to £20m a [illegible] in payments have been coming in.

Earlier this year, Lloyd's announced a loss of about £2bn for the 1991 year of account.

Mr Middleton also predicted that corporate investors would commit larger sums as soon as details became available on the formation of NewCo, a new reinsurance company.

Banks to make £100m on WPP

By Paul Taylor

A syndicate of 28 international banks which acquired convertible preference shares in WPP, the international advertising group, as part of a $271.6m (£176.3m) debt-for-equity swap two years ago expect to make a profit of around £100m when the shares are sold, probably later this week.

The banks including Barclays, National Westminster, Midland and JP Morgan will convert 169.5m of the convertible preference shares they held into 190.2m ordinary shares after the close of business in London tomorrow and are free to sell the shares immediately.

The placing, representing a 26.3 per cent stake in WPP's enlarged capital, is being organised by a consortium of Bankers Trust International, JP Morgan Securities and SG Warburg Securities.

The sale highlights WPP's remarkable recovery. Earlier this month the company reported pre-tax profits of £36.2m for the first half, up 50 per cent.

The bank syndicate agreed to swap the $271.6m of debt for 239.5m new convertible preference shares in July 1992 when WPP was suffering from the recession industry and struggling to service high borrowings.

The preference shares were originally convertible into ordinary shares at a notional price of 60p a share, but the conversion price was lowered to about 45p after WPP held a rights issue at that price in March last year. Since then WPP's share price has soared and closed at 119p on Friday compared with a low of 22.5p. The shares are expected to be placed at around 100p.

Under the terms of the debt-for-equity swap the banks converted a quarter of their preference shares last September and sold the resulting ordinary shares for around a £16m profit.

The final tranche of the bank's 12.2m convertible preference shares is convertible at any time.

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Chief price changes yesterday

FRANKFURT (DM)				Eurafrance	2030	+	79
Rises				Paribas A	375	+	8.2
Bayer	375.5	+	8	St Gobain	668	+	13
Colonia Pr	538	+	15	**Falls**			
Degussa	504.5	+	18.5	[illegible]	[illegible]	−	32
Hoechst	351	+	8.2	[illegible]	478.5	−	8.5
Kaufhof	550	+	12	**TOKYO (Yen)**			
RWE	470	+	8.5	**Rises**			
NEW YORK ($)				Aoyama Trad	3920	+	220
Rises				M'bishi Sil	614	+	14
Alcoa	81⅞	+	¾	Mash Elec	884	+	21
Georgia Pac	[illegible]	+	1⅝	Tokyo Rope	884	+	14
Intl Paper	75¼	+	1⅛	**Falls**			
Falls				Calpis Fd	970	−	[illegible]
ITT	82¼	−	3⅛	Nip Sanso	577	−	13
[illegible]	24⅝	−	⅝				
Viacom	38	−	¼				
PARIS (FFr)							
Rises							
ABF	231.5	+	[illegible]				

New York prices at 12.30pm. UK Closed.

INTERNATIONAL COMPANIES AND FINANCE

MAN upbeat in spite of 30% drop in earnings

By Christopher Parkes in Frankfurt

MAN, the engineering and commercial vehicles group, claimed yesterday to have ridden out the recession, in spite of a 30 per cent drop, to DM160m ($98.7m), in net earnings in the year to the end of June.

The recovery which took hold in the second half was continuing, and profits were expected to rise in the current year, it said.

In keeping with the group policy of paying dividends in line with operating results, the 1993-94 payout is to be cut to DM7 from DM8.50, the company said.

[illegible] powerful recovery had set in after [illegible] weak first half in which restructuring costs had compounded the effects of recession. Group sales ended the year down 4 per cent at DM18bn, after being almost 8 per cent lower at the halfway stage.

New orders rose 11 per cent in [illegible] period. MAN attributed this to a 20 per cent [illegible] in foreign demand, which more than offset [illegible] per cent fall in domestic bookings.

The group reported a 30 per cent increase in demand for printing machinery during the [illegible] while orders for machinery and plant rose 17 per cent. Even commercial vehicles [illegible] per [illegible] ment.

MAN started the new financial year with 5 per cent more orders on hand than [illegible] year earlier, while the workforce was [illegible] 6 [illegible] cent [illegible] 57,000 in the same period.

Job cuts affected all sectors except diesel engines. Commercial vehicles shed 10 per cent of its workforce [illegible] the MAN Roland printing plant plant subsidiary 9 per cent.

Turnround at Kugelfischer

By Christopher Parkes

FAG [illegible] the German ball-bearing group which underwent a rigorous shake-up last year, rolled back to profit in the six months to the end of [illegible]

Operating [illegible] DM49m [illegible] this [illegible] of [illegible] time. [illegible] earnings were DM17m compared with [illegible] deficit of DM104m.

The group said yesterday it expected a positive result for the full year, as long as markets did not deteriorate, and for sales to increase on a like-for-like basis.

The return [illegible] largely [illegible] payments and payroll [illegible] the end [illegible] had [illegible] to DM1bn compared with DM1.84bn, while reducing [illegible] workforce by [illegible] per cent had [illegible] bill by [illegible] per [illegible]

Meanwhile, operations [illegible] from the international [illegible] FAG booked new orders in [illegible] period worth DM1.44bn, [illegible] 23 [illegible] cent. On July 1 [illegible] on [illegible] for almost [illegible]

Group [illegible] in the first half [illegible] up 1 per [illegible] comparable basis, [illegible] DM1.32bn.

[illegible] company [illegible] from the international [illegible] ery, especially in [illegible] automotive and machinery [illegible]

[illegible] had almost been given up for [illegible] before Mr Kajo Neukirchen, a renowned turnround specialist, was appointed chairman of the supervisory board. His job was to oversee a shake-up involving closures, sales and massive job losses.

From 30,000 at the start of 1993, when he took office, the group workforce had been cut to 15,400 at the end of June. In the interim, Mr Neukirchen has taken charge of the salvage operation at Metallgesellschaft, the German engineering group that almost collapsed late last year.

As part of his plan, FAG has been split into four joint stock companies with responsibilities for automotive components, aircraft and precision bearings, trade and services.

Coca-Cola, Nestlé remodel link-up

By Ian Rodger in Zurich

Coca-Cola and [illegible] streamlining their global co-operation in [illegible] ready-to-drink [illegible] and [illegible]

The [illegible] will [illegible] a joint venture [illegible] in 1991 [illegible] make [illegible] sell [illegible] products throughout the world. Instead, [illegible] will work together to [illegible] their product [illegible] in more countries.

Ready-to-drink [illegible] and [illegible] hot and [illegible] in vending machines, have long [illegible] popular in Japan, the only country [illegible] Nestlé [illegible] compete with [illegible] in [illegible] products.

The [illegible] combine their strengths – Nestlé's [illegible] and [illegible] brands and Coke's distribution [illegible] vending [illegible] – [illegible] introduce [illegible] range to other [illegible]

[illegible] yesterday [illegible] joint [illegible] had so far [illegible] ready-to-drink [illegible] coffees [illegible] 25 countries [illegible] four continents. Neither company has revealed sales figures, but [illegible] is [illegible] the venture has annual revenues [illegible]

Under the new arrangement, Coke will concentrate on developing [illegible] market for ready-to-drink teas, and will [illegible] 100-year licence from [illegible] use the [illegible] trademark throughout [illegible] world, [illegible] in Japan.

[illegible] will [illegible] on developing Nescafé brand ready-to-drink coffees.

Wherever [illegible] the products would [illegible] through [illegible]

Nestlé [illegible] the arrangement [illegible] making by eliminating an entire level of management.

Bayer to pursue control of US brand

By Christopher Parkes

Germany's Bayer group is to press on with its bid to regain control of the Bayer brand in the US, in spite of yesterday's takeover of Sterling Winthrop, which owns American rights to the name and the cross-shaped trademark.

The company said yesterday it would seek "clarification" from the new owner, SmithKline Beecham of the UK, which has agreed to pay Kodak $2.93bn cash for [illegible] Sterling self-medication subsidiary.

Bayer, which had also bid, said it was still interested in "parts" of Sterling's over-the-counter business in the US, and wanted to discuss the issue of trademark rights.

One of the main attractions is the branded aspirin business (the analgesic was invented by Bayer), which generates sales of $150m a year in the US.

Mr Manfred Schneider, the German group's chairman, has said in the past he would swim the Atlantic if it could win him back the rights requisitioned and auctioned by the US government along with the Bayer business during the first world war.

However, signs of a tough auction emerged earlier this month, when Mr Schneider said he would pay only a limited premium for the Sterling operations. "We do not absolutely need the trademark," he said then.

Win [illegible] lose, the company [illegible] expansion of [illegible] non-prescription medicines remained a priority, especially in the US. It is currently represented there by Miles, based in Pittsburgh, which last year had sales of $6.5bn. According to Fortune magazine, Miles is the 84th biggest industrial company in the US.

Bayer extended its reach in the US market earlier this year when it paid $310m for a minority stake in Schein Pharmaceutical, a privately-owned generic drug specialist. Generics – or out-of-patent products – represent one of the fastest growing segments in pharmaceutical markets.

Banks spoil media man's appetite

Debts threaten Robert Hersant's paper empire, writes Alice Rawsthorn

A succession of French governments has tried and failed to curb the power of Mr Robert Hersant, the secretive media magnate who is the dominant force in the French press. However, Mr Hersant is now under unprecedented pressure to dismantle his empire - not from the government, but from his banks.

Mr Hersant, 74, is more accustomed to buying newspapers than selling them. His appetite for acquisitions has earned him the nickname *le papivore*, the "paper eater", in France. It has also created one of Europe's largest newspaper groups including Le Figaro, the biggest-selling French national daily; France-Soir, the sensationalist evening paper; a string of regional titles; and significant press interests as far afield as Belgium, Poland, Hungary, Tahiti and Guadelope.

However *le papivore* is heavily in debt. His main lender is Crédit Lyonnais, the ailing state-controlled bank which has made no secret of the fact that it is pressing Mr Hersant to redeem some of his loans, just as it has been pursuing Mr Bernard Tapie, the beleaguered left-wing entrepreneur, to repay his debts.

Mr Hersant's refusal to publish accounts makes it impossible to gauge his financial position. Analysts estimate he has total debts of around FFr4bn ($719.4m). They calculate he is obliged to repay FFr1bn of it by the end of this year, in one tranche of FFr600m in late October and another of FFr400m at the end of December. Given that most of his titles are believed to be in the red, and that Mr Hersant is known to be bitterly opposed to the possibility of bringing in external investors, his only solution seems to be disposals.

The Hersant group has no shortage of candidates for sale. Mr Hersant, the self-made son of a merchant navy officer, has been expanding his empire since he founded his first title, L'Auto-Journal, after the second world war. L'Auto-Journal prospered in the buoyant economic climate of post-war France and, by the late 1950s, Mr Hersant had hit the acquisition trail. A series of deals culminated in the mid-1970s with the takeover of Le Figaro.

Robert Hersant: revels in role of hands-on newspaper proprietor

He owns roughly 35 per cent (in circulation [illegible]) of the French newspaper market and 40 per cent of the Polish press. Mr Hersant [illegible] boasted he had a monopoly over the Tahitian national daily press until, earlier this month, a rival was launched to compete against his two titles.

Analysts are wary of pinning precise valuations on the Hersant group. "[illegible] absolutely no [illegible] of its [illegible] value," said Mr Jean-Laurent Nabet, media analyst at Société Générale in Paris. "After all, we don't even know the exact level of sales or debt."

However, the consensus in financial [illegible] is that Le Figaro [illegible] worth around FFr2bn. The [illegible] regional titles (which [illegible] Le Progrès, the influential Lyon daily that has a higher circulation than Le Figaro) are thought likely to fetch another FFr2bn. Mr Hersant could also expect to raise between FFr400m and FFr600m from selling his papers in Poland.

This means he could comfortably repay all his debts simply by selling part of his empire. Mr Hersant recently raised FFr204m by selling [illegible] bundle of magazines – including L'Auto Journal, [illegible] first [illegible] – [illegible] Emap, the UK media group.

There is no shortage of suitors for his remaining interests. Hollinger, the Canadian group headed by Mr Conrad Black, is said to have expressed interest in [illegible] number of titles. The UK's [illegible] Newspapers is mooted as a prospective buyer for the Polish titles. Le Figaro is rumoured to have attracted a string of potential purchasers including Hollinger; Mr Jimmy Goldsmith, the flamboyant financier; and a French consortium composed of the LVMH luxury goods group, the Alcatel-Alsthom electronics concern and Havas, the powerful media company.

Moreover, the climate in the French newspaper market [illegible] improving, enhancing the prospects for disposals.

France's newspapers have had a tough time over the past two years, as the recession triggered a sharp decline in circulation and advertising. But the economy is recovering and the industry has stabilised. "The worst is definitely over," said Société Générale's Mr Nabet.

However, Mr Hersant shows no sign of being prepared to sell. He revels in his role as [illegible] hands-on proprietor in the traditional mould. He does nothing to disguise the imposition of his political views on his [illegible] Le Figaro [illegible] been steered steadily to the right under his ownership.

He has also used his titles as [illegible] platform [illegible] political [illegible] – in both the French and European parliaments – and has long relished playing [illegible] power-broker [illegible] in French politics.

Mr Hersant's response to the [illegible] has been to tighten his grip on his empire, rather than relax it. One of the first victims of the credit crunch was Mr Philippe Villin, the high-flying 40-year-old who had been seen as Mr Hersant's heir-apparent until [illegible] was fired two months ago as chairman of of France-Soir. The septuagenarian Mr Hersant announced he was personally taking charge.

However, pressure is mounting. The deadline for [illegible] FFr600m repayment is only two months away. The Emap deal shows Mr Hersant will [illegible] disposals [illegible] to.

Any future sales, however, are likely [illegible] along similar lines, involving relatively low-profile titles. Even the most optimistic of Le Figaro's suitors have accepted that Mr Hersant will try to cling on to that paper at least until after he has played the power broker again in next spring's presidential elections.

هكذا من الأصل

Bond market turmoil puts Skandia deep in the red

By Christopher Brown-Humes in Stockholm

The turmoil [illegible] international bond markets [illegible] dramatic impact [illegible] the [illegible] results of Skandia, the Swedish insurer.

The group slumped to a SKr2.40bn [illegible] loss from a SKr1.66bn profit at the management operating level under the impact of unrealised losses on its bond portfolio.

It still recorded a deficit of SKr550m – against a SKr1.16bn profit – even if unrealised changes to bond values are excluded. This is because of realised capital losses on bond sales, changes in share values and changes in exchange rates for surplus values of assets.

The group's operating performance was also affected. Before adjusting the value of its bonds to the lower of cost or market value, profit fell to SKr529m from SKr572m. After adjusting, it swung to an operating loss of SKr435m from a SKr637m profit.

Mr Björn Wolrath, chief executive, [illegible] the group [illegible] by [illegible] improvement in [illegible] core insurance operations [illegible] profits climbed [illegible] per [illegible] SKr378m.

Reinsurance activities improved their results [illegible] there [illegible] a strong improvement [illegible] NIG Skandia, a UK unit.

Premium income climbed 35 per cent to SKr27.3bn, [illegible] by a strong expansion of unit-linked life assurance business.

Skandia triggered turmoil in Sweden's financial [illegible] in July when [illegible] boycotted new Swedish bond issues in protest [illegible] of political [illegible] curb state debt. The boycott remains in force. The group said it had no Swedish bonds in its portfolio at mid-year.

Net asset value per share was SKr150 at the end of June, against SKr179 on January 1. The group's solvency margin improved to 83 per cent from 60 per cent.

Underlying improvement at NCC

By Christopher Brown-Humes

A strong upturn in underlying performance was yesterday reported by NCC, Sweden's second-largest construction group, even though conditions in its home market continued to worsen.

The group relied on reorganisation, lower financial costs and a better investment performance for the improvement.

Headline profit declined to SKr130m ($16.9m) in the first six months from SKr303m, but both figures were distorted by one-off gains from share sales. Excluding these, the group swung from a SKr170m loss to a SKr106m profit.

Reflecting the continuing depression in the Swedish market, [illegible] slipped [illegible] SKr7.6bn from [illegible] while the order [illegible] unchanged at SKr6.7bn.

NCC said industry estimates [illegible] the market would shrink by a further 13 per cent this year before making a modest recovery in 1995. New housing starts fell 40 per cent in the first half to just 3,300 units.

The group expects to remain in the black for the full year after last year's SKr175m profit. Lower profits from its three building units are expected to be offset by a stronger performance from NCC Invest and reduced losses in NCC Real Estate.

● Euroc, the [illegible] and building materials group, saw a sharp [illegible] in [illegible] profits [illegible] from SKr96m, after shrugging off a continued downturn in its two most important markets, Finland and Sweden.

The company said synergies from its acquisition of two Finnish companies at the end of last year increased productivity, and better market conditions in the US and the UK contributed to the improvement.

It predicted a full-year profit of at least SKr650m, well ahead of last year's SKr240m. The estimate comprises a SKr470m underlying profit and a further SKr180m in one-off gains.

During the second half, a SKr460m dividend from the winding up of the Protorp investment group will be partly counterbalanced by SKr280m in writedowns, it said.

AssiDomän lifts year's forecast

By Hugh Carnegy in Stockholm

AssiDomän, the Swedish forestry group partly privatised earlier this year, yesterday raised its forecast for full-year profits after reporting a 77 per cent rise in pre-tax profits in the first half.

The group, Sweden's fourth largest forestry concern, said profits after financial items rose to SKr809m ($105.3m) from a pro-forma SKr457m in the same period last year, due to an 11 per cent increase in sales to SKr8.16bn from SKr7.38bn and a fall in financial charges to SKr90m from SKr142m.

Mr Lennart Ahlgren, chief executive, said if production conditions remained stable, the full-year profit after financial items was expected to reach between SKr1.6bn and SKr1.8bn. This compares with a forecast made in the February privatisation prospectus of between SKr1.2bn and SKr1.5bn. The company was formed before the sell-off by a merger of Assi and Domän and later took over a third majority state-owned concern, NCB.

NCB results were consolidated in the latest figures. A total of 49 per cent the whole new group was sold off, raising SKr7.6bn in Sweden's biggest privatisation.

AssiDomän benefited from higher sale prices for sawn timber and pulp. Its forest and timber products division lifted sales [illegible] from SKr2.1bn, and operating profits to SKr694m from [illegible]

MCI drops plan [illegible] buy 17% stake in Nextel

By Louise Kehoe in San Francisco

Shares of Nextel Communications, the US wireless communications company, fell sharply yesterday when MCI cancelled an agreement to acquire a 17 per cent stake in the company.

Nextel has ambitious plans for a US-wide service combining mobile voice, data, paging and dispatch radio services.

It was trading at $24¾ in mid-session yesterday, down from Friday's closing price of $30¾.

In February, MCI agreed to pay $1.3bn for [illegible] per cent of Nextel shares. The telephone company was to become Nextel's marketing partner in its bid to create a nationwide wireless communications network.

Comcast, another Nextel shareholder, was also a party to the agreement.

Yesterday, the companies said they were continuing to explore the possibility of a strategic alliance, but on different terms.

Since February, when MCI signed a letter of intent with Nextel and Comcast, Nextel's share price has fallen from $42.

Analysts said MCI may have been renegotiating the price it agreed to pay for Nextel shares, which was $36 a share for an initial tranche and $38 for additional shares to be purchased over a three-year period.

Also, since the initial agreement with MCI was signed, Nextel has announced planned acquisitions of OneComm and Dial Page and the purchase of Motorola's specialised mobile radio licenses, mostly for stock.

The issuance of new stock would have diluted MCI's planned stake in Nextel to about 12 per cent.

News of MCI's decision to pull out of the deal with Nextel hit the share prices of OneComm and Dial Page as analysts speculated that Nextel may reassess its plans to acquire the two companies.

However, Nextel said its planned deals would go ahead.

Little reward for a Digital Risc

US group's link with Olivetti has come unravelled, writes **Alan Cane**

Digital Equipment's [illegible] in Olivetti of Italy at a heavy loss should not have come as much of a surprise.

Apart from the US company's pressing need to restructure its investment portfolio, the shareholding was the last tangible evidence of a strategy which has failed to work for either company.

Digital, once the world's second largest computer manufacturer but now losing money heavily, took an initial 4 per cent stake in Olivetti in 1992 as part of a complex deal designed to give Digital a broader market for its products and provide the Italian company with a financial and technical lifeline. It subsequently increased its holding to 7.9 per cent.

Digital first bought 20m Olivetti shares at a premium to the market price in June 1992, and then increased its stake gradually with further market purchases, for a total of $287.8m.

Digital has not specified the price at which the shares were sold during late July and August, although it has had to write down a large part of the investment. Wall Street analysts estimate that the sale of the stake would have [illegible] between $140m and $150m.

Two years on, it is [illegible] neither objective has [illegible] close to being achieved. There were warning signs that the match was far from ideal.

Digital paid more than twice the market price for a share of a [illegible] hopes of returning to profitability were not bright. Olivetti lost $297.5m in 1993, and is still struggling.

Why? Both companies talk [illegible] the [illegible] of a technological and commercial alliance, but [illegible] mostly [illegible] – Digital's Alpha microprocessor, claimed to [illegible] the [illegible]

[illegible] computer industry is changing dramatically. It is moving from mainframe-based systems to new designs based on networks of personal computers [illegible] mid-range [illegible] "servers",

> Digital paid more than twice the market price for a share of a company whose hopes of returning to profitability were not bright

which offer [illegible] price performance.

[illegible] client-server [illegible] microprocessor, known [illegible] puting [illegible], which [illegible] simple [illegible]

[illegible] manufacturers [illegible] trying to [illegible] their [illegible] microprocessor as [illegible] For [illegible] they [illegible] volume sales and have therefore sought alliances with other manufacturers.

Sun Microsystems, a leader in Risc technology, has openly licensed its Sparc designs and has an alliance in Europe with ICL, the UK-based company owned by Fujitsu of Japan.

IBM, Motorola and Apple Computer are jointly developing the PowerPC, and IBM has underlined a sales agreement with Groupe Bull of France by taking an equity stake in the company.

Digital's stake in Olivetti had the same objective. Sales of Alpha technology have not so [illegible] met expectations, although Digital [illegible] it is beginning [illegible] see real growth with some $1bn worth of Alpha [illegible]

[illegible] quarter, it said, sales of Alpha technology outsold [illegible] older minicomputer technology [illegible] contribute 39 [illegible] computer systems revenues. Olivetti has not made much of a contribution, however. Although it introduced some Alpha-based [illegible] and [illegible] June, analysts reckon [illegible] only a few tens of millions of dollars worth [illegible] systems to date.

In [illegible] defence, analysts say that Digital has failed to establish Alpha as an industry standard, and that it has not become a reference point in the Risc market.

More significant, they point out that Olivetti's chief interest in Alpha was to become the [illegible] personal computers. [illegible] largest [illegible] PCs in Europe. Digital, however, [illegible] use Alpha [illegible] servers rather than PCs.

Both companies [illegible] dragged [illegible] in the [illegible] place. Digital [illegible] in delivering [illegible] moving [illegible] customers to Alpha technology [illegible] longer [illegible] had anticipated.

[illegible] As things stand, Digital will continue [illegible] buy [illegible] Olivetti laser printers, where the Italian [illegible] developed first-rate technology. It will also continue [illegible] be Digital's principal supplier of laptop computers.

Digital no longer relies on Olivetti for PCs for the European market, although [illegible] will continue [illegible] buy the Italian machines in small numbers. The two companies have pledged to work together [illegible] PC technology.

Digital [illegible] points [illegible] that Olivetti has launched products [illegible] on Alpha technology, although it [illegible] sales, at an early stage in [illegible] product cycle, are insignificant.

Digital [illegible] cash, inherited from its successful [illegible] in the late [illegible] Does it need [illegible] more money?

Probably [illegible] absolute terms, although it still [illegible] restructuring charges to meet. But [illegible] senior [illegible] tives have [illegible] be seen [illegible] putting their house in order.

Talks with Oracle Systems, [illegible] Digital's [illegible] software, are thought [illegible] a conclusion. The sale might [illegible] a further $100m or [illegible]

What [illegible] will [illegible] of Digital as an equity partner have on Olivetti?

It [illegible] it [illegible] looking for a single large partner but is prepared [illegible] consider several smaller [illegible] areas, such as telecommunications and [illegible] which it has identified as [illegible] opportunities.

The Digital-Olivetti [illegible] to come unravelled. [illegible] remains [illegible] be [illegible] whether [illegible] others will prove more [illegible]

Naf Naf agrees to take over Chevignon

By Alice Rawsthorn in Paris

Naf [illegible] French textiles group, last [illegible] announced it had agreed terms [illegible] acquire Chevignon, the [illegible] company, for FFr125m [illegible]

Negotiations between [illegible] Naf and Chevignon, two of the best-known brand names in the French clothing industry, have been going on for some months.

Mr Patrick Pariente, one of the two brothers that head Naf Naf, [illegible] week confirmed reports of an [illegible] but waited until yesterday's [illegible] meeting to [illegible] the terms [illegible] the transaction.

[illegible] Naf, which emerged [illegible] in the French [illegible] tiles industry during the 1970s and [illegible] public [illegible]

[illegible] acquisition of Chevignon, which [illegible] in the jeans market, represents an important opportunity [illegible] expand [illegible]

Mr [illegible] affirmed [illegible] Naf Naf [illegible] on course for growth this year with estimated net profits of between FFr135m and [illegible]

■ Far [illegible] Textile, [illegible] of Taiwan's [illegible] ers of [illegible] and [illegible] related products, posted [illegible] in the [illegible] to [illegible] 30, against [illegible] a year earlier, [illegible] Laura Tyson in Taipei.

Revenues climbed [illegible] NT$11.4bn from NT$9.8bn.

Euro Disney asks watchdog to probe share price slide

By Alice Rawsthorn in Paris

Euro Disney, the troubled leisure group, is to ask the Paris stock market authorities to investigate the recent fall in its shares, which yesterday were twice suspended after plunging to a record low.

The group, which recently concluded negotiations with its banks for a FFr13bn ($2.4bn) financial rescue, saw its shares end the day 11.6 per cent down at FFr8.40 having plummeted to FFr7.75 during the morning.

The shares were [illegible] suspended on Friday after a sharp fall.

Euro Disney said that it had requested the Commission des Opérations de Bourse, the Paris watchdog, to analyse why its shares had fallen so sharply, given that it had not released any new information over the past few days.

Analysts attributed the decline in Euro Disney's shares to nervousness about the company's trading prospects and to concern about the implications of recent senior management changes at both Euro Disney and Walt Disney, its US parent company.

Mr Mike Montgomery, Euro Disney's well-regarded finance director, announced his resignation two weeks ago.

His departure aggravated fears of a poor performance from Euro Disney, which is said to have had weak attendance levels this summer in spite of price-cutting and promotional initiatives.

The news of Mr Montgomery's departure was followed by the surprise resignation of Mr Jeffrey Katzenberg, the high-profile head of Walt Disney's film division.

The Disney parent company is still unsettled after the sudden death of Mr Frank Wells, its president, and the illness of Mr Michael Eisner, its chairman who recently underwent heart surgery. Walt Disney played a prominent role in Euro Disney's emergency restructuring.

Sharp climb [illegible] Arnott's to A$81m for year

By Nikki Tait in Sydney

Arnott's, the Australian food group now majority-owned by Campbell Soup of the US, yesterday reported a sharp improvement in profits after tax and abnormals in the year to July 1.

The company made A$81.1m (US$60.3m), compared with A$47.2m previously.

However, the advance was partly due to the absence of abnormal charges, which took A$32.9m off the result last time.

Operating profit before abnormals and [illegible] rose [illegible] more modest 5.5 per cent [illegible] A$116.5m, while [illegible] dipped from A$636.2m to A$622.5m – largely [illegible] to [illegible] sale of some non-core businesses, including White Rose Flour Mills and Illawarra Jam.

Arnott's said revenues from its core Australian biscuit division were marginally ahead of the previous year, but trading profits for the division were affected by a Prices Surveillance Authority review. During the period of the inquiry, companies are precluded from seeking price rises.

Sales in New Zealand were slightly down, and trading profits lower. However, in Papua New Guinea, sales and trading profits – after adjusting for asset sales – rose "significantly".

Arnott's said its push into Asia was "proceeding well". It plans to start distributing products in Korea in the final quarter of 1994, and is targeting Thailand, Indonesia, the Philippines, Vietnam and India "in the longer term".

It also intends [illegible] up the advertising budget in its home market in the current year, to take [illegible]tage of the rise in Australians' discretionary spending, as the economic recovery gains pace.

There is a final dividend of 17 cents a share, taking the full year payout to 32 cents, compared to 29 cents previously.

Treasuries steady in thin trading

By Frank McGurty in New York and Graham Bowley in London

US Treasuries improved yesterday morning after the release of favourable economic data, but the modest gains were quickly eroded in quiet trading.

By midday, the benchmark 30-year government bond was $\frac{1}{8}$ better at 100$\frac{1}{8}$, with the yield slipping to 7.475 per cent. At the short end, the two-year

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note was unchanged at 100$\frac{1}{8}$, to yield 6.183 per cent.

Bonds opened on a solid footing as traders welcomed news from the Commerce Department that July personal income had appreciated 0.5 per cent from the previous month, while personal spending edged 0.2 per cent ahead.

Both figures were in line with expectations.

By offering further evidence of moderate economic growth and low inflationary pressures, the data helped buttress the growing conviction in the market that the Federal Reserve would delay its next move to tighter money until November.

The dollar, which was firmer against other leading currencies, provided additional support for bonds.

As a result, the long end of the maturity range took a modest step forward in the early going, building on Friday's moderate gains. However, the improvement proved to be short-lived as the 30-year issue soon receded to just above its opening value.

The retreat was partly explained by the thin trading conditions.

Many traders were on holiday while others were holding off on fresh commitments until the release of August employment data at the end of the week. The report should confirm whether the market's confidence in the economy has been justified.

But the US currency contributed to the downward drift, too. The long bond closely tracked the dollar as it reversed direction at midmorning and sagged below Y100 at midday.

■ European government bonds pushed further ahead [illegible]terday following Friday's strong rally, but trading volumes were small with London markets closed for the UK summer bank holiday.

The early firmer tone to US Treasuries benefited European markets, but analysts said that further gains in Europe would be limited by concerns about fresh supply.

Yesterday saw auctions of Dutch and Swedish government debt and the launch of four-year paper for the German Treasury. Further auctions in Germany, France and Italy are scheduled for later this week.

"After Friday's rally there is a better tone to the market," said Mr Carl Haeling, head of Deutsche Bank's futures and options group in Frankfurt.

"But attention this week is on the huge supply across the whole of Europe, which is a particular worry for the German market and could mean a reversal of some of last week's gains."

■ In Germany, the five-year German government bond futures contract on DTB, the Frankfurt futures exchange, continued to significantly outperform the rest of the market.

"This is the [illegible] of the moment," said Mr Haeling. "It has the makings of a fairly serious short squeeze over the next couple of days."

■ French government bonds moved higher in line with Germany and the US. Market attention is turning to Thursday's monthly government bond auction.

Mr Edmond Alphandéry, the economy minister, said at the weekend that [illegible] Treasury would launch its previously announced OAT sales to small investors in October. The scheme aims to raise about FFr10bn a year.

"This is a clear change in the policy of the government and is an important step in updating the French market to international standards to attract foreign investors," said Mr Christophe Servan, bond analyst at Paribas Capital Markets in Paris.

"After the bond crisis in the first half of this year, everybody could see that retail investors feel more comfortable with holding bonds directly rather than through intermediaries, such as investment funds," he said.

Asian hotels group signs Vietnam deal

By Nikki Tait

Accor Asia Pacific, the Asian hotels group which is listed in Australia, said yesterday that it had signed an agreement allowing its brands – including Sofitel, Novotel and Mercure – to be used in Vietnam.

It has signed a franchise agreement with [illegible] 104-room hotel [illegible] Ho Chi Minh City, which will now be known as the Hotel Mercure Saigon, and a management agreement for a second property there, to be called the Hotel Sofitel Dalat Palace.

The latter property is being refurbished and is scheduled to be fully operational by December.

Accor also [illegible] that it had [illegible] and management agreement for [illegible] 130-room Novotel hotel to be built in Dalat and opened in 1996.

● Simsmetal, the acquisitive Australian scrap-metal company with interests in the UK, yesterday reported a profit [illegible] of A$46.9m (US$34.9m) in the year to the end of June, compared with A$22.9m in the previous 12 months.

[illegible] were up to A$742.7m from A$574.7m, and earnings per share rose to [illegible] from 25.6 cents

Seafood price rise helps lift Irvin and Johnson

By Mark Suzman in Johannesburg

A rise in international seafood prices and improved domestic retail sales helped Irvin and Johnson, the South African food processing company, to increase after-tax income 9 per cent to R62.2m ($13.7m) from R57.08m for the year ending in June.

In spite of [illegible] per cent fall in sales volumes, due largely to a decline in chicken supplies and [illegible] planned reduction in low-value seafood production, turnover rose [illegible] per cent to R1.77bn from R1.65bn.

Operating income [illegible] only 5 per [illegible] R88.26m from R84.19m, but a 14 per cent drop in [illegible] paid, to R15.9m from R18.6m, helped improve overall results.

The dividend was unchanged at 83 cents.

The company said it was pressing ahead with an accelerated capital investment project to improve overall international competitiveness, noting that new capital expenditure for the year to June was R77.76m and that a further R35.2m had already been authorised.

I&J also announced it had [illegible] shareholding in Namibia-based Kuiseb fish products through an issue of new shares to Namibian partners, leaving it with a 49 per cent interest in Kuiseb.

Rabobank up 11% [illegible] halfway

By Ronald van de Krol in Amsterdam

Rabobank, [illegible] Dutch co-operative bank, lifted net profit by 11.4 [illegible] cent [illegible] Fl 654m ($370m) in the first half from Fl 587m a year earlier, due to strong growth in lending to the corporate sector.

Interest income rose by 7.4 per cent to Fl 3.07bn. Rabobank said continuing economic recovery had led to a higher rate of investment by corporate clients in trade, industry and services.

Commission income rose by 12.2 per cent to Fl 553m, with much of the growth due to [illegible] business and [illegible] demand for investment funds managed by the Robeco Group.

Rabobank's trading on its own account was hit by the sudden increase in interest rates early in 1994. Its results [illegible] financial transactions fell into [illegible] Fl 19m from [illegible] profit of Fl 129m [illegible] year earlier.

Finland launches DM1.25bn FRN issue

By Graham Bowley

The Republic [illegible] Finland enlivened an otherwise quiet

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eurobond market yesterday as it continued its financing activities with the launch of a DM1.25bn eight-year floating rate note.

The notes, issued via a consortium of banks, carried an interest rate of $\frac{1}{8}$ per cent over the London interbank offered rate (Libor) with an issue price of 99.76, said lead manager Commerzbank.

There was good demand for the new issue, especially from domestic German institutions, the lead managers said. They also reported some interest from smaller continental Euro[illegible] banks.

This [illegible] by the Republic [illegible] Finland follows deals earlier in August when it tapped the Canadian dollar and Luxembourg franc sectors.

After the last issue, finance ministry officials said Finland planned to borrow at least $2bn more in the international capital markets this year.

The latest bond will be value-dated September 16, 1994 and is scheduled for a listing on the Frankfurt securities exchange, officials said.

Elsewhere, the Greek government announced that it will issue one-year and three-year dollar-linked bonds at 6.3 per cent and 7.75 per cent annually, and one-year and three-year fixed rate Ecu-linked bonds at 7.1 per cent and 8.8 per cent annually.

The bonds will be issued tomorrow and their rates will be fixed and tax-free, the finance ministry said.

The Bank of Yokohama announced that it was planning to launch euroyen subordinated [illegible] in September.

[illegible] have yet [illegible] be decided, [illegible] spokesman said. Subordinated bonds are generally issued to raise capital adequacy ratios, bank [illegible] said.

Comalco profits tumble to A$26m at midway

Comalco, [illegible] aluminium producer controlled by CRA, unveiled [illegible] profits of A$26.9m (US$20m) for the half-year to end-June, sharply reduced from the A$42.8m in the same period of 1993, writes Nikki Tait.

The figures, calculated on the statutory [illegible] (rather than on a joint-venture [illegible] which includes [illegible] equity in the results of consortium companies) contained no abnormal items for 1994, but a A$11.4m charge the previous year.

Revenues were A$1.13bn, compared with A$1.14bn.

The company [illegible] gains in prices had been partly offset by a less favourable US$/A$ exchange rate, and its smelting business operated at a loss in the first half. "However, at present metal prices this business could return to modest profitability", it added.

Comalco said the metal market remained "fragile" and LME stocks were still at high levels. "Overhanging the market is a substantial amount of unused smelting capacity.

However, in the important Japanese and European markets, the economic outlook is brightening and metal consumption is expected to increase," it said.

LEGAL NOTICES

NOTICE OF ADJOURNED CREDITORS' MEETING
AMF INTERNATIONAL LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 95 of the Insolvency Act 1986, that the meeting of creditors of AMF International Limited has been adjourned and will be held at the offices of Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU on Monday 12 September 1994 at 11.00am for the purposes provided for in Section 96.
During the period before the day on which the creditors' meeting is to be held I, William Jason Hugh Elles of Ernst & Young, Wessex House, 19 Threefield Lane, Southampton SO14 3QB, the Liquidator of AMF International Limited, will furnish creditors, free of charge, with such information concerning the affairs of the company as they may reasonably require.
Dated this Twenty-Fifth day of August 1994
W J H Elles
Liquidator

MAYFAIR EXECUTIVE BUSINESS CENTRE LIMITED

Company Registration Number 1493446
NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: Plumtree Court on 14 September 1994 at 2.30pm for the purposes mentioned in sections 99 to 101 of the said Act.
A list of the names and addresses of the company's creditors may be inspected free of charge between 10:00 am and 5:00pm at: Plumtree Court on 12 September 1994 and 13 September 1994.
DATED: 15 August 1994
By order of the Board
E J Cotter
Director

SB PROPERTY CO LIMITED

Company Registration Number 1493446
NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held [illegible] on 14 September 1994 at 4.00pm for the purposes mentioned in sections 99 to 101 of the said Act.
[illegible] list of the names and a[illegible] of the company's creditors may be inspected free of charge between 10:00 am and 5:00pm at: Plumtree Court on 12 September 1994 and 13 September 1994.
DATED: 15 August 1994
By order of the Board
E J Cotter
Director

MARLER ESTATES LIMITED

Company Registration Number 311433
NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: Plumtree Court on 14 September 1994 at 2.00pm for the purposes mentioned in sections 99 to 101 of the said Act.
A list of the names and addresses of the company's creditors may be inspected free of charge between 10:00 am and 5:00pm at: Plumtree Court on 12 September 1994 and 13 September 1994.
DATED: 15 August 1994
By order of the Board
E J Cotter
Director

APUS PROPERTIES LIMITED

Company Registration Number 596774
NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: Plumtree Court on 14 September 1994 at 3.30pm for the purposes mentioned in sections 99 to 101 of the said Act.
A list of the names and addresses of the company's creditors may be inspected free of charge between 10:00 am and 5:00pm at: Plumtree Court on 12 September 1994 and 13 September 1994.
DATED: 15 August 1994
By order of the Board
E J Cotter
Director

CABRA DEVELOPMENTS LIMITED

Company Registration Number 1768288
NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: Plumtree Court on 14 September 1994 at 3.00pm for the purposes mentioned in sections 99 to 101 of the said Act.
A list of the names and addresses of the company's creditors may be inspected free of charge between 10:00 am and 5:00pm at: Plumtree Court on 12 September 1994 and 13 September 1994.
DATED: 15 August 1994
By order of the Board
E J Cotter
Director

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COMPANY NEWS: UK

Disclosure plans for sales of unit trusts

By Alison Smith

Companies which [illegible] unit trusts – pooled investment funds – are to be required [illegible] give customers more information about the investment [illegible] their [illegible] and charges, under plans to be introduced next year.

The [illegible] the imposition of a new regime which requires companies and individuals selling life insurance [illegible] more [illegible] the policies [illegible] those [illegible] them. This will come into effect in January.

A consultation [illegible] on [illegible] information should [illegible] included in the [illegible] regime for other financial products, including unit trusts, is to be published by [illegible] Personal [illegible] Authority, the new watchdog to protect the private investor, [illegible] month.

It should [illegible] simpler requirements than for selling long-term life and [illegible] policies – [illegible] unit [illegible] simpler – but the aim will be to enable customers to make a fair comparison between the different types of financial products available.

Unit trusts have been growing in popularity with private [illegible]. In the [illegible] half of this year net retail sales grew from £2bn [illegible].

The [illegible] hopes to have [illegible] the [illegible] rules for unit trust disclosure by the end of the year, so that the new regime can be optional from January when the [illegible] life companies becomes compulsory.

The similar regime for unit trusts is intended [illegible] mandatory from next July.

The pace at which unit trust companies adopt the new pattern of giving information to customers in advance of that date is likely to vary.

Some will want to move to the new system early, in order not to appear to be less open with customers in the sale of unit trusts than in the sale of life insurance products.

Others will want to move later in order to take account of the other changes likely to affect unit trusts next year which will require significant changes to computer systems and to the documents provided to customers.

The [illegible] important likely [illegible] a [illegible] away from the current system of dual pricing, under [illegible] buy units at an "offer" price and sell [illegible] a lower "bid" price, to a system of single pricing, which is intended to make unit trusts easier to understand.

Taking an interest can be the best option

Simon Davies detects a change in the banks' attitude to debt-for-equity swaps

Debt-for-equity [illegible] always been a last resort for British lenders, representing a fleeting hope [illegible] some future pay-back, when the alternative is probably nothing.

However, the recovery [illegible] WPP Group, [illegible] advertising company, under its debt-relieved structure has enabled its backers to take a £100m profit from their shares, and has reminded [illegible] of the potential benefits of equity participation in an improving economic environment.

As Mr Richard Lovell, president of the Association of Property Bankers, argues: "The banks' attitude [illegible] for-equity [illegible] has [illegible] that they are [illegible] likely to get their money [illegible] in debt [illegible] in equity. It's down to a business culture. They don't [illegible] as the right [illegible] hold equity."

Bankers [illegible], however, that [illegible]. Substantial debt-for-equity [illegible] being [illegible] for Queen's Moat Hotels, Wembley, Stanhope and Tiphook, for example, and the performance of WPP can only provide encouragement.

There are a number of reasons for the change. The last-ditch alternative, receivership, is [illegible] option, and it can damage the value of potentially saleable assets.

By comparison, a rising stock market, improving property valuations and low interest rates, have meant that [illegible] corporate near fatalities have been given the ability to survive.

Mr [illegible], director [illegible] specialised lending services at Royal Bank of Scotland, says: "The first [illegible] do [illegible] if they [illegible] a viable business, regardless of the debt structure."

The Royal Bank has set up a special unit to handle bad loans, [illegible] this [illegible] headed a large increase in the number of equity swaps undertaken by the bank.

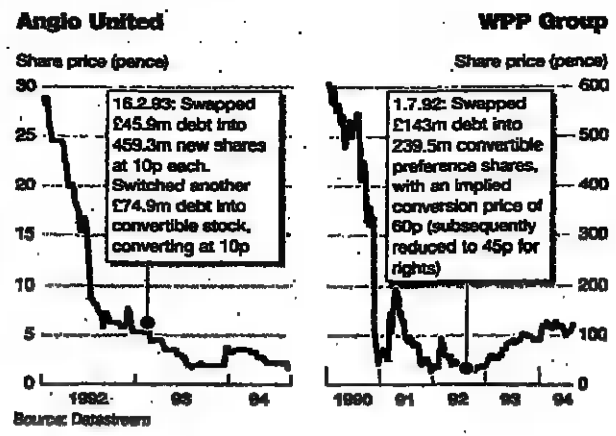
In 1992 it instigated 420 receiverships, [illegible] following the introduction of its new bad debt division, this fell to 150 in 1993 and should drop to 100 this year, as it has looks for alternative solutions, such as swaps.

Mr Sachs says: "Traditionally, the UK clearing banks have been reluctant to convert debt into equity. We take the view that, more and more, we are looking at the overall financing of the company."

There are downsides. By initiating the swap, a bank is generally forced to make balance sheet provisions, since the value of the equity is unlikely to match that of the debt.

As a shareholder, the bank's call upon the assets of the company [illegible] substantially reduced, so if the company does not survive, it is unlikely to get anything back.

In addition, the size of the banking syndicates can complicate negotiations. [illegible] continental European [illegible] historically [illegible] more relaxed about equity, but [illegible] has proved difficult [illegible] such disparate [illegible] ment.



Source: Datastream

In [illegible] of WPP, the [illegible] to [illegible] Sorrel, [illegible] tive, for a restructuring, was far from unanimous from [illegible] banking syndicate. The Japanese [illegible] strongly [illegible] equity package.

There have been a number of cases where such scepticism may have been justified. One [illegible] year's larger debt-for-equity swaps, for distressed fuels group Anglo United, has left banks owning half the shares of a shrinking group.

The consortium swapped [illegible] into [illegible] new [illegible] 10p each, [illegible] the share price [illegible] only 5¼p. HSBC, [illegible] lender, [illegible] a [illegible].

A further [illegible] of [illegible] swapped [illegible] convertible stock, with a 10p conversion price, and no interest, although [illegible] price will [illegible] reduced [illegible] assume 10 per cent compound [illegible] a year.

The pricing of [illegible] new shares demonstrated the severity of Anglo United's corporate ailments in February 1993, and the banks would have made large provisions against their exposure to the company.

The situation has since deteriorated. The £120m of restructured debt is worth a fraction of the original loan, as the share price has dropped to 1.34p, giving the entire company a market value of £16m.

Even in [illegible] however, the banks can still gain some [illegible] through [illegible] notoriously high [illegible] for a restructuring.

In the case [illegible] Anglo United, advisers and bankers took [illegible] in fees, while [illegible] restructuring cost the company £13m, of which [illegible] to the banks for providing new [illegible] facilities.

The decision often [illegible] down to a lack of choice. The recession left many borrowers with more [illegible] than they [illegible] ever expect to [illegible].

Property companies, with negative net [illegible], have been a prime target for [illegible], since property [illegible] have [illegible] rising far more rapidly than [illegible] the related ability to [illegible] interest.

[illegible], UK Land [illegible] Raglan Property Trust were all kept [illegible] through [illegible] which should deliver [illegible] return to bankers, where liquidation would have probably brought nothing.

[illegible] corporate financier [illegible] the banks [illegible] already [illegible] too slow [illegible] change. "They [illegible] take equity now [illegible] up enormously", he [illegible]. "But [illegible] they have could have benefited substantially, they [illegible] just [illegible]."

Given the profits achieved by WPP's bankers, however, they may be encouraged to change their minds.

New dealing regulations have little impact

By David Wighton

The new insider dealing regulations which came into force on March 1 have had little impact [illegible] the [illegible] companies communicate with the City, according [illegible] a survey published today.

The new rules, and related advice from the Stock Exchange, were seen as threatening cherished practices such as [illegible] "brokers' lunch".

However, three quarters of the companies surveyed said they had not changed their attitude [illegible] the use of [illegible] lunches and only 14 per [illegible] had altered their approach [illegible] analysts' briefings. But half [illegible] they had changed their opinion on what constituted important information [illegible] should [illegible] communicated through the Stock Exchange.

Mr Jonathan Gillen, managing director of Focus Communications, which conducted the [illegible] "The [illegible] would appear to have had little [illegible] no effect. In reality [illegible] still self-policing just [illegible]. The perception [illegible] it might create a [illegible] attitude towards shareholder relations [illegible] to have been over-[illegible]."

The survey showed that the new rules had created a good deal of confusion among companies. More than three quarters admitted they [illegible] vague or unclear as [illegible] the implications for analysts' meetings [illegible] only half [illegible] confident they knew the implications for conducting a takeover.

"There appears to [illegible] considerable potential for someone [illegible] transgress [illegible] rules by mistake," said Mr Gillen.

The [illegible] suggestion that companies issue quarterly trading [illegible] has not proved popular. Only 12 per cent [illegible] companies [illegible] they would do so with a further 20 per [illegible] it. But 25 per [illegible] said they would consider an announcement if brokers' [illegible] were out of line with current trading.

The sample consisted of the top 350 UK companies and a further 150 smaller companies, with replies received from 177.

See Lex

Seaperfect to float with likely £50m value

By Peggy Hollinger

A company which claims to be one of the world's largest [illegible] producers [illegible] shellfish is hoping to come to the market later this year with an estimated value of about £50m.

Seaperfect plans to raise approximately £20m through an institutional placing to fund the expansion of its scallop and clam [illegible] activities.

In [illegible], the company [illegible] through a private placing with UK institutions.

The company's product has attracted some well-known faces to the board. Mr Andre Bernard, former co-chairman of Eurotunnel, will become a non-executive director next month, and Sir David Orr, ex-chairman of Unilever and Inchcape, is non-executive chairman.

Seaperfect was founded in 1988 by American-born Mr William Lord-Butcher, who made his fortune in the 1980s with the sale of his direct mail marketing business to a New York investment group. He said shellfish were the perfect follow-on to computers. "We were looking for a species that was ready to be industrialised."

The company farms scallops and clams in the warm water regions of South Carolina, Florida and Chile, which Mr Lord-Butcher argues is an advantage when competing against the Japanese. On average, Seaperfect's Chilean-raised scallops take 15 to 17 months to mature, against three to seven years in Japan.

The scallops and clams are mostly for [illegible] to Europe. Most of the shellfish eaten in Europe is wild produce caught by local fishermen trawling the sea or estuaries.

However, Mr Lord-Butcher argues that health and safety concerns mean that commercial farming – where the environment is tested on a regular basis and harvesting and processing is strictly controlled – will become increasingly important.

Seaperfect sells its scallops and clams to the catering and retail industry, before harvesting them from the field.

They are bred in protected hatcheries and the larvae nursed until old and big enough to be put out to sea.

Last year Seaperfect sold 15,000 scallops, or some 203 tonnes, by far its largest business.

Mr Lord-Butcher is confident the group can more than double sales with the funds from a flotation.

Watson & Philip cuts trading link with Circle K Corporation

Watson & Philip, [illegible] Dundee-based food distributor and convenience store operator, is ending its long-standing business relationship with the Circle K Corporation.

Its Watson & Philip Retail operation will, by the end of [illegible], rebrand both its wholly owned [illegible] franchised [illegible] under the Alldays banner.

Mr David Bremner, [illegible] executive, [illegible] arrangement would "enable [illegible] Retail to operate under a single brand name and [illegible] image".

Fleming Claverhouse net assets edge ahead

Fleming Claverhouse Investment [illegible] had a [illegible] asset value of 195.9p per share at June 30, a modest improvement on 193p a year earlier.

Attributable revenue for the six months [illegible] end-June amounted to £1.5m, up from £1.12m, [illegible] earnings of 2.71p (2.55p). A second interim dividend [illegible] maintains the total to date at 2.5p.

IN BRIEF

CHEMRING has 92.38 per cent [illegible] Kembery and [illegible] now unconditional.

FISHER (ALBERT) Group has acquired certain assets of Florida-based Thompson Farm Fresh Produce for up [illegible] (£1.19m) cash.

FREEPORT LEISURE: Rights [illegible] accepted in respect [illegible] 43,248 ordinary shares (2.08 per cent). The balance will be taken up by sub-underwriters.

RADIUS has issued [illegible] ordinary shares as [illegible] for Avalon Systems. The balance of [illegible] in cash.

WAKEBOURNE has acquired the accounting software and support business of Computer Answers Europe for £172,000 cash.

COMMODITIES PRICES

BASE METALS

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	[illegible]	[illegible]	[illegible]	112.20	[illegible]	[illegible]
Sep	[illegible]	+1.20	114.00	[illegible]	[illegible]	6,909
Oct	112.95	[illegible]	112.90	[illegible]	643	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	112.95	[illegible]	[illegible]	111.60	28,093	[illegible]
Jan	112.50	[illegible]	[illegible]	[illegible]	422	67
Total					[illegible]	[illegible]

PRECIOUS METALS

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	387.1	+3.8	[illegible]	[illegible]	58	38
Sep	387.5	+3.8	-	-	180	-
[illegible]	388.9	[illegible]	[illegible]	382.7	9,082	677
Dec	[illegible]	+3.8	394.0	386.7	95,316	14,098
Feb	[illegible]	+3.8	398.5	389.0	13,239	1,007
Apr	[illegible]	+3.9	-	-	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	[illegible]	+2.7	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	412.0	[illegible]	[illegible]
Apr	422.7	[illegible]	424.5	[illegible]	[illegible]	46
Jul	425.7	[illegible]	-	-	452	-
Oct	428.2	+2.7	-	-	102	-
Total					[illegible]	2,[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	318
Dec	154.25	+1.20	154.50	151.00	4,969	[illegible]
Mar	[illegible]	+1.80	154.80	153.75	489	7
Total					[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	542.7	+22.3	520.0	520.0	1	-
Sep	542.7	+22.2	545.5	518.0	24,409	14,092
Dec	550.0	[illegible]	[illegible]	525.5	65,806	12,588
Jan	552.4	+22.1	540.0	540.0	37	-
[illegible]	558.1	+22.2	559.0	533.0	7,689	[illegible]
May	563.7	+22.4	560.0	539.5	3,938	3
Total					112,564	27,130

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	[illegible]	+0.54	[illegible]	[illegible]	86,812	38,787
[illegible]	17.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	17.95	[illegible]	47,557	8,353
Jan	[illegible]	[illegible]	[illegible]	[illegible]	30,177	[illegible]
Feb	[illegible]	[illegible]	17.80	17.40	18,829	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	398
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	+0.82	[illegible]	[illegible]	[illegible]	8,095
[illegible]	49.55	+0.91	50.00	48.30	39,741	[illegible]
Nov	50.50	+0.86	50.95	49.30	19,314	1,412
Dec	[illegible]	+0.76	[illegible]	[illegible]	[illegible]	1,720
Jan	52.50	+1.06	52.80	51.15	[illegible]	725
Feb	[illegible]	+1.11	52.85	51.30	[illegible]	[illegible]
Total					163,822	21,346

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	1.655	+0.038	[illegible]	1.600	28,295	11,690
Nov	1.855	+0.013	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	2.110	-0.008	2.130	2.090	[illegible]	1,922
Jan	[illegible]	[illegible]	2.145	2.110	14,170	[illegible]
[illegible]	2.080	+0.012	2.085	2.060	9,990	[illegible]
Mar	2.036	+0.007	2.045	2.030	8,559	1,127
Total					149,762	28,745

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	52.50	49.85	11,637	11,684
Oct	[illegible]	+1.05	50.80	48.45	24,201	12,788
Nov	[illegible]	+0.87	49.80	47.80	15,071	3,767
[illegible]	[illegible]	+0.63	55.80	54.15	8,533	900
Jan	54.55	[illegible]	[illegible]	53.10	4,030	286
Feb	54.20	+1.14	54.20	52.95	3,050	195
Total					68,522	29,[illegible]

GRAINS AND OIL SEEDS

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	357/2	-1/6	358/4	355/4	[illegible]	[illegible]
Dec	[illegible]	[illegible]	374/2	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

SOFTS

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	1353	-29	1370	1347	397	25
[illegible]	1409	-25	1430	1395	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	71.02	+1.80	71.22	[illegible]	[illegible]	[illegible]
[illegible]	72.10	+1.90	72.10	[illegible]	[illegible]	[illegible]
[illegible]	72.70	+1.80	72.87	71.80	3,500	15
[illegible]	70.90	+0.70	70.90	70.00	419	1
Total					59,592	2,316

Softs continued

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	[illegible]	[illegible]	91.50	89.70	[illegible]	[illegible]
Nov	94.85	+1.85	95.50	93.40	8,925	1,616
Jan	98.70	+0.20	99.00	97.30	[illegible]	306
Mar	102.10	[illegible]	102.25	[illegible]	[illegible]	[illegible]
May	105.80	+0.35	105.45	105.40	[illegible]	9
Jul	[illegible]	[illegible]	[illegible]	[illegible]	10	71
Total					[illegible]	4,873

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg [illegible]. Provision for the [illegible] pool [illegible] is made in the Pooling [illegible] Agreements which [illegible] the operation of the electricity pool in England and Wales. The [illegible] Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The [illegible] of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days [illegible] of trading. Accordingly, due to the [illegible] revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of [illegible] under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on [illegible] prices is provided on behalf of the [illegible] Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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LEGAL NOTICES

CIVIL ACTION SUMMONSES

UNITED STATES DISTRICT COURT
Southern District of New York

[illegible] AND EXCHANGE COMMISSION
Plaintiff,
v.
EDWARD R. DOWNE, JR.
STEVEN A. GREENBERG,
MARTIN REVSON,
DAVID SALAMONE,
FRED R. SULLIVAN,
THOMAS WARDE,
MILTON WEINGER, and
BROADSWORD, LTD.,
Defendants

TO: David Salamone
c/o Thomas E. Engel
Engel & McCarney
720 Fifth Avenue
New York, NY 10019

SUMMONS IN A CIVIL ACTION
CASE NUMBER:
92 CIV. 4092

YOU ARE HEREBY SUMMONED and required [illegible] file with the Clerk of this Court and serve upon
PLAINTIFF'S ATTORNEY
Richard H. Walker, Regional Administrator
U.S. Securities and Exchange Commission
New York Regional Office
75 Park Place
New York, NY 10007
an answer to the complaint which is herewith served upon you, within 20 days after service of the summons upon you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint.

JAMES M. PARKISON, CLERK
Date: June 4, 1992

UNITED STATES DISTRICT COURT
Southern District of New York

SECURITIES AND EXCHANGE COMMISSION
Plaintiff,
v.
EDWARD R. DOWNE, JR.
STEVEN A. GREENBERG,
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THOMAS WARDE,
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BROADSWORD, LTD.,
Defendants

TO: Broadsword, Ltd.
c/o Thomas E. Engel
Engel & McCarney
720 Fifth Avenue
New York, NY 10019.

SUMMONS IN A CIVIL ACTION
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Richard H. Walker, Regional Administrator
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JAMES M. PARKISON, CLERK
Date: June 4, 1992

NOTICE OF PENDING LAW SUIT

On June 4, 1992, the United States Securities and Exchange Commission ("SEC") filed a complaint in the United States District Court for the Southern District of New York against David Salamone ("Salamone"), Broadsword, Ltd. ("Broadsword"), and certain other persons (the "Action"). In the Action, the SEC alleges that Salamone and Broadsword violated Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by knowingly and unlawfully trading securities based upon material, nonpublic information. These transactions occurred during the period from June [illegible] May 19[illegible] by the [illegible] Companies, [illegible] Corp.; and Edgcomb [illegible] SEC seeks a judgment [illegible] and Broadsword in [illegible] $3,809,349 — the illicit trading [illegible] judgment [illegible] penalties of [illegible] profits [illegible] by Salamone and Broadsword, pursuant [illegible] the Insider Trading Sanctions Act of 1984 and the Insider Trading and Securities Fraud Enforcement Act of 1988.

The SEC has been unable to locate Salamone or Broadsword at [illegible] last known addresses for the purpose of [illegible] serving Salamone and [illegible] with a copy of the summons and [illegible] the Action. As a [illegible] the United States District Court for [illegible] Southern District of New [illegible] has authorized [illegible]

If Salamone and [illegible] not serve an answer to the [illegible] in the Action within thirty (30) day[illegible] notice and the summons, [illegible] judgment by default for the full amount sought in the complaint — $3,809,349 plus pre-judgment interest and penalties.

Anyone possessing any information concerning the current whereabouts of David Salamone or Broadsword, Ltd. is requested to contact the U.S. Securities and Exchange Commission at Seven World Trade Center, Suite 1300, New York, New York 10048; Attn: Daniel R. Schnipper, Esq. (212) 748-8194.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 26, [illegible]. In some cases the rate is nominal. Market rates are the average of buying and [illegible] rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4041.78	2621.09	1678.59	2613.78
Albania	(Lek)	155.459	100.811	64.561	100.53
Algeria	[illegible]	38.2718	38.4382	24.8165	38.3313
Andorra	(Fr Fr)	8.2508	5.3505	3.4266	5.3357
	(Sp Peseta)	200.531	[illegible]	83.2830	[illegible]
Angola	(Kwanza)	[illegible]	95054.1	60878.1	[illegible]
Antigua	[illegible]	[illegible]	2.7219	[illegible]	[illegible]
Argentina	(Peso)	[illegible]	0.9998	0.6402	[illegible]
Aruba	(Florin)	2.7226	1.8045	[illegible]	1.7995
Australia	(Aus $)	[illegible]	[illegible]	0.8687	1.3482
Austria	(Schilling)	[illegible]	10.5601	[illegible]	[illegible]
Azores	(Port Escudo)	248.096	159.585	102.207	159.151
Bahamas	[illegible]	1.5420	1	0.6404	0.9972
Bahrain	(Dinar)	[illegible]	0.377	0.2414	0.3759
Balearic Is	(Sp Peseta)	200.531	130.046	83.2830	129.884
Bangladesh	(Taka)	60.9071	39.4967	[illegible]	39.3990
Barbados	(Barb $)	3.1286	2.0270	[illegible]	2.0219
Belgium	(Belg Fr)	[illegible]	32.1834	[illegible]	[illegible]
Belize	(B $)	3.1080	2.0162	[illegible]	[illegible]
Benin	(CFA Fr)	825.000	[illegible]	342.661	[illegible]
[illegible]	(Bermudian $)	1.5420	1	0.6404	0.9972
Bhutan	[illegible]	[illegible]	[illegible]	20.0892	31.2817
Bolivia	[illegible]	7.2089	[illegible]	2.9868	[illegible]
Botswana	(Pula)	4.2074	[illegible]	1.7474	[illegible]
Brazil	[illegible]	[illegible]	[illegible]	0.5896	0.8855
Brunei	(Brunei $)	[illegible]	1.5004	[illegible]	[illegible]
Bulgaria	[illegible]	[illegible]	57.1444	36.5963	56.9085
Burkina Faso	(CFA Fr)	825.000	535.058	342.661	533.57
Burma	(Kyat)	9.0615	[illegible]	3.7302	5.8536
Burundi	(Burundi Fr)	[illegible]	[illegible]	[illegible]	247.267
Cambodia	[illegible]	[illegible]	[illegible]	2250.64	3518.58
Cameroon	(CFA Fr)	825.000	535.058	342.661	[illegible]
Canada	(Canadian $)	[illegible]	1.3702	0.8775	[illegible]
Canary Is	(Sp Peseta)	200.531	130.046	83.2830	[illegible]
Cp. Verde	[illegible]	[illegible]	85.0862	54.4991	84.8625
Cayman Is	(CI $)	[illegible]	0.8265	0.5294	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	533.57
Chad	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chile	(Chilean Peso)	646.000	[illegible]	266.265	417.771
China	(Yuan)	13.2167	8.5872	5.4986	8.5424
Colombia	[illegible]	1259.04	[illegible]	620.901	[illegible]
CIS §	(Rouble)	[illegible]	2147.5	1375.3	2141.52
Comoros	(Fr)	[illegible]	480.132	256.292	[illegible]
Congo (Brazz)	(CFA Fr)	825.000	535.058	342.661	533.57
Costa Rica	(Colon)	244.430	158.515	101.516	158.074
Côte d'Ivoire	(CFA Fr)	825.000	535.058	342.661	533.57
Croatia	[illegible]	[illegible]	5.745	[illegible]	5.729
Cuba	(Peso)	1.1774	0.7635	0.4889	0.7614
Cyprus	[illegible]	0.7358	0.4771	0.3055	0.4758
Czech Rep	[illegible]	[illegible]	28.1205	18.0088	28.0426
Denmark	(Danish Krone)	9.5357	[illegible]	3.9803	6.1697
Djibouti	(Djib Fr)	276.268	[illegible]	[illegible]	[illegible]
Dominica	(E Carr $)	[illegible]	2.7219	1.7431	2.7143
Dominican Rep	(D Peso)	[illegible]	[illegible]	[illegible]	13.2095
Ecuador	[illegible]	3505.40	2273.28	1455.85	2266.95
Egypt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
El [illegible]	(Colon)	[illegible]	8.8208	5.640	[illegible]
Equat'l Guinea	(CFA Fr)	825.000	535.058	342.661	533.57
Estonia	[illegible]	[illegible]	[illegible]	7.975	[illegible]
[illegible]	(Ethiopian Birr)	[illegible]	5.4941	[illegible]	5.4786
Falkland Is	(Falk £)	1.00	0.6485	0.4153	[illegible]
Faroe Is	(Danish Krone)	9.5357	6.1839	3.9603	[illegible]
Fiji Is	[illegible]	2.2487	1.457	0.933	[illegible]
Finland	(Markka)	[illegible]	5.0819	[illegible]	[illegible]
France	(Fr)	[illegible]	5.3505	[illegible]	[illegible]
Fr. Cty/Africa	[illegible]	[illegible]	535.058	342.661	533.57
Fr. Guiana	(Local Fr)	8.2508	5.3505	3.4266	5.3357
Fr. Pacific Is	(CFP Fr)	149.577	97.0019	62.1216	96.7321
Gabon	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	0.7786	0.2884	[illegible]
Germany	(D-Mark)	2.4078	1.5614	1	1.5571
Ghana	(Cedi)	[illegible]	[illegible]	629.471	[illegible]
Gibraltar	(Gib £)	1.00	0.6485	0.4153	0.6467
Greece	[illegible]	[illegible]	[illegible]	151.836	[illegible]
[illegible]	(Danish Krone)	9.5357	[illegible]	3.9603	6.1667
[illegible]	[illegible]	4.1972	[illegible]	[illegible]	[illegible]
Guadeloupe	(Local Fr)	8.2508	5.3505	[illegible]	[illegible]
[illegible]	[illegible]	1.5420	1	0.6404	0.9972
[illegible]	[illegible]	8.8970	5.7697	3.695	5.7537
Guinea	[illegible]	1518.28	984.604	630.559	981.886
Guinea-Bissau	(Peso)	[illegible]	12304.7	7857.70	[illegible]
Guyana	(Guyanese $)	[illegible]	141.942	90.902	[illegible]
Haiti	(Gourde)	28.5385	[illegible]	[illegible]	[illegible]
Honduras	(Lempira)	13.8351	8.9721	5.7459	8.9472
Hong Kong	[illegible]	[illegible]	7.7282	4.9493	7.7067
Hungary	(Forint)	[illegible]	107.932	68.9421	[illegible]
Iceland	(Icelandic Krona)	[illegible]	68.642	[illegible]	[illegible]
India	(Indian Rupee)	[illegible]	31.369	20.0892	[illegible]
Indonesia	[illegible]	[illegible]	[illegible]	[illegible]	2169.18
Iran	(Rial)	2713.50	[illegible]	1127.79	1755.13
Iraq	(Iraqi Dinar)	[illegible]	[illegible]	0.2007	[illegible]
Irish Rep	[illegible]	[illegible]	[illegible]	0.4214	0.6562
Israel	(Shekel)	4.6708	3.033	1.9430	3.0246
Italy	[illegible]	[illegible]	1584.39	1014.59	1579.86
[illegible]	[illegible]	52.0758	33.7716	21.6278	33.6776
Japan	(Yen)	154.636	100.282	64.2225	[illegible]
Jordan	(Jordanian Dinar)	[illegible]	0.6969	0.4457	0.694
[illegible]	[illegible]	86.0885	[illegible]	[illegible]	56.4022
Kiribati	(Australian $)	[illegible]	[illegible]	0.8607	[illegible]
Korea North	(Won)	[illegible]	[illegible]	1.389	[illegible]
Korea South	(Won)	1236.41	801.822	513.502	799.593
[illegible]	(Kuwaiti Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Latvia	[illegible]	[illegible]	0.5501	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1667.3
Lesotho	(Maloti)	5.5245	3.5826	2.2944	3.5727
[illegible]	[illegible]	1.5420	1	0.6404	0.9972
Libya	(Libyan Dinar)	0.4740	0.3070	0.1972	0.3071
Liechtenstein	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	6.2180	4.0324	2.5824	4.0212
Luxembourg	[illegible]	[illegible]	32.1834	[illegible]	32.0930
[illegible]	(Pataca)	[illegible]	7.9485	6.1548	8.0264
Madagascar	(MG Fr)	5306.70	3442.84	[illegible]	3433.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Maldive Is	[illegible]	[illegible]	[illegible]	7.460	[illegible]
[illegible]	(CFA Fr)	[illegible]	[illegible]	342.661	[illegible]
[illegible]	(Maltese Lira)	0.5888	[illegible]	[illegible]	[illegible]
Martinique	(Local Fr)	8.2508	5.3505	3.4266	5.3357
Mauritania	(Ouguiya)	190.303	[illegible]	[illegible]	[illegible]
Mauritius	(Maur Rupee)	[illegible]	[illegible]	[illegible]	17.8581
[illegible]	[illegible]	[illegible]	3.3715	[illegible]	3.3621
Miquelon	(Local Fr)	8.2508	[illegible]	[illegible]	[illegible]
Monaco	(French Fr)	8.2508	[illegible]	3.4266	5.3357
Mongolia	[illegible]	621.800	403.243	258.244	[illegible]
Montserrat	(E Carr $)	4.1972	2.7219	1.7431	[illegible]
[illegible]	(Dirham)	13.7998	8.9295	[illegible]	[illegible]
Mozambique	(Metical)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	(S A Rand)	[illegible]	[illegible]	[illegible]	3.5727
[illegible]	(Australian $)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	(Nepalese Rupee)	76.5581	49.6482	31.7952	49.5111
[illegible]	[illegible]	2.7030	[illegible]	1.1220	1.7485
N'nd Antilles	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nicaragua	(Gold Cordoba)	[illegible]	[illegible]	4.4124	6.8706
Niger Rep	(CFA Fr)	[illegible]	[illegible]	342.661	[illegible]
Nigeria	(Naira)	[illegible]	21.9982	14.0887	[illegible]
Norway	[illegible]	[illegible]	6.8606	4.3935	6.8415
[illegible]	(Rial Omani)	0.5937	[illegible]	0.2465	0.3839

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	(Pak. Rupee)	47.1211	30.5584	19.5701	30.4734
Panama	(Balboa)	1.5420	1	0.6404	0.9972
Papua New Guinea	[illegible]	1.4165	0.9185	[illegible]	0.9174
Paraguay	(Guarani)	2794.00	1812.57	[illegible]	1807.53
Peru	(New Sol)	3.4386	[illegible]	1.4304	2.2305
[illegible]	[illegible]	40.8232	26.4741	16.9545	26.4006
Pitcairn Is	(£ Sterling)	[illegible]	0.6485	0.4153	0.6467
Poland	(Zloty)	35348.2	22924.3	14681.1	22860.3
Portugal	(Escudo)	248.095	[illegible]	102.207	159.151
Puerto Rico	(US $)	1.5420	1	[illegible]	[illegible]
Qatar	(Riyal)	5.6584	[illegible]	2.30	3.6093
[illegible] Is. de la	(F Fr)	8.2508	5.3505	3.4266	5.3357
Romania	(Leu)	2625.00	1702.39	1090.21	1697.6
[illegible]	(Fr)	210.2003	[illegible]	86.7915	136.819
St Christopher	(E Carr $)	4.1972	2.7219	1.7431	2.7143
St Helena	(£)	1.00	0.6485	[illegible]	0.6467
St Lucia	(E Carr $)	4.1972	2.7219	[illegible]	2.7143
St Pierre	(French Fr)	8.2508	5.3505	3.4266	5.3357
St Vincent	(E Carr $)	[illegible]	2.7219	1.7431	2.7143
San [illegible]	[illegible]	2442.83	[illegible]	1014.59	1579.86
Sao Tome	(Dobra)	1067.23	[illegible]	443.236	690.153
Saudi Arabia	(Riyal)	[illegible]	3.7502	[illegible]	[illegible]
Senegal	(CFA Fr)	[illegible]	535.058	342.661	533.57
[illegible]	(Rupee)	[illegible]	4.8815	3.1902	[illegible]
Sierra Leone	(Leone)	938.353	[illegible]	[illegible]	606.109
Singapore	($)	2.3137	1.5004	0.9609	1.4962
[illegible]	(Koruna)	48.3710	31.369	20.0894	31.2817
Slovenia	(Tolar)	188.157	[illegible]	78.1447	121.682
[illegible]	[illegible]	[illegible]	[illegible]	2.107	3.2809
Somali [illegible]	(Shilling)	[illegible]	2041.24	1307.5	2033.9
South Africa	[illegible]	5.52450	[illegible]	[illegible]	3.5727
	[illegible]	6.99200	[illegible]	[illegible]	[illegible]
[illegible]	(Peseta)	[illegible]	130.046	[illegible]	[illegible]
[illegible]	(Sp Peseta)	200.531	130.046	83.2830	129.884
Sri Lanka	[illegible]	75.8562	49.1933	[illegible]	[illegible]
Sudan Rep	(Dinar)	49.3450	[illegible]	20.0784	[illegible]
Surinam	(Guilder)	284.650	184.604	118.224	[illegible]
Swaziland	(Lilangeni)	[illegible]	3.5826	2.2944	[illegible]
Sweden	(Krona)	11.8497	[illegible]	4.9213	[illegible]
Switzerland	(Fr)	2.0315	[illegible]	0.8437	1.3137
Syria	(£)	31.8673	20.6662	13.236	[illegible]
Taiwan	($)	40.4018	26.2501	16.8108	26.1661
Tanzania	(Shilling)	[illegible]	[illegible]	330.363	523.763
Thailand	(Baht)	38.5085	[illegible]	15.9907	[illegible]
Togo Rep	(CFA Fr)	825.000	535.058	[illegible]	533.57
Tonga Is	(Pa'anga)	2.0724	1.3438	0.8607	1.3409
Trinidad/Tobago	($)	8.6663	5.6201	3.5992	[illegible]
Tunisia	(Dinar)	1.5238	[illegible]	0.6328	[illegible]
Turkey	(Lira)	51038.6	[illegible]	21197.2	33008.9
Turks & Caicos	(US $)	1.5420	[illegible]	0.6404	0.9972
[illegible]	(Australian $)	2.0724	[illegible]	[illegible]	1.3409
[illegible]	[illegible]	1418.45	919.896	[illegible]	[illegible]
[illegible]	[illegible]	31867.5	[illegible]	13233.1	20602.8
U A E	(Dirham)	5.6573	3.6690	2.3496	3.6587
United [illegible]	(£)	[illegible]	[illegible]	0.4153	0.6467
United States	(US $)	1.5420	1	0.6404	0.9972
Uruguay	(Peso Uruguayo)	[illegible]	[illegible]	3.3589	[illegible]
Vanuatu	(Vatu)	175.011	[illegible]	72.886	[illegible]
Vatican	(Lira)	2442.83	1584.39	1014.59	[illegible]
Venezuela	(Bolivar)	261.800	169.78	108.73	[illegible]
Vietnam	[illegible]	17080.8	11077	7093.94	11046.2
Virgin Is-British	[illegible]	1.5420	1	0.6404	[illegible]
Virgin Is-US	[illegible]	1.5420	1	0.6404	0.9972
Western Samoa	(Tala)	3.8258	[illegible]	1.6303	[illegible]
Yemen (Rep of)	(Rial)	88.30	57.2682	36.6724	57.104
[illegible] (Rep of)	(Dinar)	[illegible]	0.4484	0.2859	0.4451
[illegible]	(New Dinar) (1)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	(Zaire)	1882.24	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	685.312	439.015	683.606
Zimbabwe	($)	[illegible]	8.1732	5.2342	[illegible]

Special Drawing Rights August 25, 1994 United Kingdom [illegible] United States $1.4[illegible] Germany DM2.[illegible] Japan Y144.[illegible] European Currency Unit Rates August 25, 1994 United Kingdom £0.7[illegible] United States $1.2[illegible] Germany DM1.91[illegible] Japan Y122.901

Abbreviations: [illegible] Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; [illegible] rate; (l) Luxury goods; (m) Market rate; (p) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rwandan rate for 31.3.94. (3) Yemeni rates for 30.4.94. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 [illegible] 4960/3.
Friday, August 26, 1994

CONFERENCES & EXHIBITIONS

SEPTEMBER 14/15
Financial Astrology Seminars
Two full evening sessions with Robert [illegible] (from USA) [illegible] renown *Astrologer and [illegible] of PC Software [illegible] Analyst"* [illegible] Roy Gillett, City of London Astro Analyst, who has successfully predicted [illegible] markets [illegible]
At [illegible] Conference Centre, EC2R.
Full details - Roy Gillett Consultants [illegible]
LONDON

SEPTEMBER 15
Investing in Unquoted Companies - The Tax Risks and Rewards
For those contemplating investment, past investors, their tax and legal advisors, needing to understand and comply with the lengthy, technical legislation comprising the Enterprise Investment Scheme, Capital Gains Tax, Reinvestment Relief, Capital Gains Tax Retirement Relief and future [illegible]
Steve Warner, European Study Conferences Ltd
Tel: 071 386 9322 FAX: 071 381 8914
[illegible]

SEPTEMBER 18-20
The National Education & Jobs Fair
[illegible] careers and education [illegible] including a comprehensive seminars programme. Over 140 universities and higher education colleges will be exhibiting and promoting a huge range of courses at all levels.
FREE ENTRY
Enquiries: Fran Foster - Centre [illegible]
Tel: 021 767 2413
NEC, BIRMINGHAM

SEPTEMBER 19-20
Business Process Re-engineering (BPR)
Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioner and BPR author. Proven 'how-to-do-it' implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sectors have already attended. Repeated November 21-22.
Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
Fax: +44-455-890821
LONDON AREA

SEPTEMBER 21
Hedge Funds
The first major U.K. based conference on this controversial area of the financial markets. Registrations already received from a wide variety of companies around [illegible] world. Join [illegible] most prestigious meeting of [illegible] year.
Full [illegible] Futures [illegible] Options World
Tel: (071) 827 9977 Fax: (071) 827 5236
[illegible]

SEPTEMBER 22
Latin American Financial and Business Briefing
Economists, academics [illegible] leaders [illegible] Latin [illegible] outline the financial [illegible] business opportunities [illegible] region, including Brazil, Argentina, Mexico, [illegible] Venezuela. Sponsors: IEA/Atlas.
Cost: £200 + VAT
[illegible] at Conference [illegible]
Tel: 071 236 [illegible] Fax: 071 236 1889
LONDON

SEPTEMBER 27
Derivatives Compliance Annual Dinner & Conference
A major meeting for anyone [illegible] or looking for future involvement, in this growing sector of the compliance industry. Speakers from IPE, SFA, SIB, Linklaters & Paines, Clifford Chance, Simmons & [illegible]
Full brochure: Futures & Options World
Tel: (071) 827 9977 Fax: [illegible] 827 [illegible]
LONDON

SEPTEMBER 27
User Protection in System Procurement
A one day briefing from NCC's Legal Group on rights and responsibilities in software procurement. Practical and directly relevant to Legal Advisors and Company and IT Management. £250.00 + VAT. [illegible] for further information or provisional booking to Marie Dwyer, NCC on 061 236 8049 or Tel: 061 228 6333
LONDON

SEPTEMBER 27-28
World Port [illegible]
This seminar will offer a unique view of port privatisation worldwide to all involved parties. It will cover the valuation process - accessing private capital - competitive strategies in changing seatrade markets - privatisation models and experiences - the *changing role of port authorities.*
Euromoney Pll - Jean Theodor
Tel: +44 71 779 [illegible] Fax: [illegible] 779 [illegible]
LONDON

SEPTEMBER 29
South Africa
A Cityforum conference featuring Chris Stals, Sir Evelyn de Rothschild, Mr Alec Irwin, Robert Guy, Basil Hersov, Gary Maude, M J Levett. Sponsors: South Africa Foundation, Rothschilds/ Smiths New Court, Clifford Chance, Coopers & Lybrand, Old Mutual.
Information from Cityforum:
Tel: 0225 466744 Fax: 0225 442903
LONDON

OCTOBER 3/4/5
City Intensive Seminar
A programme for new recruits to the City, corporate finance, treasurers and financial executives covering structure, markets, regulation and world position of the City. Speakers include Michael Cassidy, Scott Dobbie, Sir Michael Palliser and Colin Sharman. KPMG sponsor.
Information from Cityforum:
Tel: 0225 466744 Fax: 0225 442903
LONDON

OCTOBER 3 - NOVEMBER 21
FT-City Course
This course is designed to provide participants with an overview of all the workings of the City of London, paying particular attention to the banking and securities markets.
[illegible] Financial Times
Tel: 081 673 [illegible] Fax: 081 673 1335
LONDON

OCTOBER 4-6
Freightconnection 94 Conference & Exhibition
The exhibition and conference for logistics professionals. Keynote speaker Secretary of State for Transport, plus Sir Alastair Morton, Eurotunnel and 15 other leading industry speakers and four debates on topical issues in the transport world.
Further details: 0543 419600
LONDON, DOCKLANDS

OCTOBER 11
Measuring the value of I.T. Investments
This conference discusses how to assess the [illegible] of I.T. projects and prioritise I.T. [illegible] successfully. It [illegible] guidance [illegible] leading [illegible] and [illegible], as well as [illegible] the experience of major organisations, [illegible] the private and public sector.
Contact: Business Intelligence
Tel: 081 543 6565 [illegible] 081 [illegible]
LONDON

OCTOBER 18-19
Introductory Course to the Futures & Options Markets
As the industry expands more and more people are having to gain a basic understanding of the operations of the derivative markets. This course is aimed not only at the new entrant to the industry but also at the more general [illegible] community.
Full [illegible]
Tel: (071) 827 9977 Fax: (071) 827 5236
[illegible]

OCTOBER 19
[illegible] - Implementation [illegible]
[illegible] Annual [illegible] Group (200+ members)
New (never [illegible] before), recently successful [illegible] presented [illegible] interactive [illegible] practitioners. Lively discussions and demonstrations including speakers [illegible] International, [illegible] Building Society, [illegible] Leicester, [illegible] and more.
Contact: Steve Towers, Hanson Associates
Tel: +44 (0) 941 120118
Fax: +44 (0) 608 663829
LONDON

OCTOBER 20
Pre-Budget Economic Prospects [illegible]
[illegible] Annual International [illegible] of the Economy [illegible] speakers [illegible] Sir [illegible] Walters, Tim Congdon, [illegible] Sentance, [illegible] Geoffrey [illegible] Otmar Issing, Jerry [illegible] Neil MacKinnon. Sponsors: [illegible] £160 + VAT [illegible] Jones at [illegible]
Tel: [illegible] 236 [illegible]
LONDON

OCTOBER 26 - 27
BPR 94: Re-engineering, Process Management and *Performance Improvement*
Europe's leading conference and [illegible] devoted to exploring how to apply business re-engineering strategies to [illegible] quantum leaps in corporate [illegible] to [illegible] the [illegible] re-engineering team, from executive [illegible] to those [illegible] in planning and implementing projects.
[illegible] Intelligence
Tel: [illegible] 543 6565 [illegible]
LONDON

NOVEMBER 7
[illegible] Convention on Retail Financial Services
Day 1: 13th International Retail Banking Conference
Theme [illegible] for 2001".
Subjects: Banking, [illegible] investment management and consumer financial services. *Morning session: "The Long Term Economics of Retail Banking" Afternoon session: "Bank Positioning Strategies for 2001"*
Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
LONDON

NOVEMBER 8
Global Convention on Retail Financial Services
Day 2: 6 Parallel Conferences
- Cards 2000
- Branch Banking
- Affluent Financial Services
- Business Banking
- Technology
- Retail Financial Services for Low Income Markets

Contact: Mouna Couzi, Lafferty Conferences
Tel: [illegible] 1 6718022 Fax: +353 1 6713594
LONDON

NOVEMBER [illegible]
European Union Aid for Development [illegible]
Business Opportunities in EC [illegible] projects to [illegible] value of 5 [illegible] ECU annually [illegible] including PHARE/JOPP, TACIS, MED, A/LA, and ACP. Networking with EU and new member state companies. Procurement opportunities for manufacturers/suppliers. 200 [illegible] GUIDE on EU aid programmes included.
Contact: [illegible] Générale de Développement S.A.
Tel: +322 512 4636 Fax: +322 512 4653
BRUSSELS

NOVEMBER 9
Global Convention on Retail Financial Services
Day 3: 6 Parallel Conferences
- Delivery [illegible]
- Marketing
- Insurance
- Non-Bank Banks
- Retail Financial Services in the Middle East
- Cross-Border Opportunities in Iberia

Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
LONDON

NOVEMBER 10
Global Convention on Retail Financial Services
Day 4: 6 Parallel Conferences
- Islamic Banking
- Direct Financial Services
- UK Financial Services
- Personal Financial Planning
- Cross-Border Opportunities in France
- Retail Financial Services in Emerging Markets

Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
LONDON

NOVEMBER 11
Global Convention on Retail Financial Services
Day 5: 7 Parallel Conferences
- Cross-Border Opportunities in European Financial Services
  - Central & Eastern Europe
  - Germany
  - [illegible] Europe
  - Benelux
  - Italy
- Retail Financial Services in India
- Human Resources

Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 [illegible] Fax: +353 1 6713594
LONDON

EXHIBITIONS

SEPTEMBER 12 - 18
GCC & Britain '94 Exhibition
[illegible] *350 of* [illegible] *States* [illegible] successful businesses will all be under one roof, all ready to talk business at Olympia [illegible] Daily.
For [illegible] contact: Arab-British Chamber of Commerce, 6 Belgrave Square, London SW1X 8PH
Tel: 071 235 [illegible] Fax: 071 245 6688
LONDON

OCTOBER 7-9
Enterprise [illegible] & *Computing Show 1994*
The UK's [illegible] for [illegible] medium business. The exhibition [illegible] sponsored by Parcelforce and has over 150 companies represented from industries including, computing, finance, training, banking, franchising, commercial property, catering transportation and telecommunications.
Advance tickets: 081 982 6600
Contact: Julian Fisher, Enterprise Exhibitions Ltd, Tel: (0932) 859460/829920
Fax: (0932) 855741
WEMBLEY, LONDON

INTERNATIONAL

SEPTEMBER 5-6
1st Financial Services Conference for Latin America
Theme "Strategies for Buoyant Market". A regionally-focused briefing, presented by a unique panel of international experts, on the trends and issues in financial services in Latin America. Topics include: retail banking, delivery & card strategies, private banking, investment management.
Enquiries: Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
BUENOS AIRES

OCTOBER 11-12
Asia Pacific Derivatives Exhibition
The world's leading derivatives exhibition arrives in Singapore! Exhibitors feature the majority players [illegible] expanding exchange-traded [illegible] OTC derivatives industry of the region. Associated seminar and social programme.
Free entrance tickets and other details: Futures & Options World, U.K.
Tel: (071) 827 9977 Fax: (071) 827 5236
SINGAPORE

OCTOBER 19-20
Plain [illegible] Campaign's
3rd International Conferences
[illegible] DC
[illegible] 744409 [illegible]
WASHINGTON

NOVEMBER 23-24
Telecom Market Europe
Liberalisation, alliances, internationalisation in fixed and mobile [illegible] services. New [illegible] *European service providers, regulatory framework.* Speakers include: Peter [illegible] (Mannesmann), [illegible] Vucins (Unisource), Hermann [illegible] (VEBA), Michael Grabiner (BT Europe), Joel Wachtler (US West), Martin Dawes [illegible] Dawes Telecommunications)
Enquiries: Handelsblatt/Euroforum
Tel: [illegible] 49/211/9686-441
Fax: [illegible] 49/211/9686-502
COLOGNE

TO ADVERTISE IN THIS SECTION PLEASE CALL NADINE HOWARTH ON 071-873 3503

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY
Barclays O'seas Inv. 6% Gtd. Bd. '96 Y60000.0
Goldsmiths 1p
Greencore 3.7p

■ TODAY
Azlan 2p
Bank of Montreal C$0.30
Canon 4.65% Nts.'97 Y465000.0
Equity Consort Inv. Tst. 13.8375p
Do. Dfd. 27.075p
Faupel Trading 3.05p
Fleming Am. Inv. Tst. 0.4p
Gen. Motors Acceptance Can. FRN Nov.'96 C$485.82
Lonrho Fin. 6% Gtd. Bd. '04 £28.83
Mitsui OSK Lines FRN '97 Y61614.0
NKK 6% Nts. '97 Y600000.0
NT&T 10⅝% Nts. '96 C$106.25
Sanyo Elect. FRN '98 Y61615.0
Sumitomo Bk Int. Fin. Gtd. FRN Aug.'06 $2262.08
Do. Aug.'07 $2262.08
3i [illegible] Gtd. Bd. [illegible] £112.50
Throgmorton Tst. 0.9p
Tokyo Elect. Power 8¾% Nts. '98 $437.50
Toray Inds. FRN '97 Y63003.0
WMGO 0.5p

■ TOMORROW
Abtrust New Dawn Inv. Tst. 0.9p
Allied Colloids 3.72p
Allnatt Lon. Props 10½% 1st Mtg. Db. 94/99 £5.25
Automated Sec. 5% Cv. Pf. 2.5p
Bankers Inv. Tst. 0.97p
Bank Nova Scotia Fltg. Rate Sb. Db. '85 $210.83
Bank Scotland Und. Var. rate Nts. $143.75
Berkeley Grp. 5.1p
Cater Allen Gilt Inc. Fd. Pf. 20p
Chase Manhattan FRN '97 $124.58
Chemical Bk. FRN '94 £67.74
City of Oxford Inv. Tst. Inc. 1.2p
CLM Insurance 1.3p
Collateralised Mtg. Sec. (No.5) FRN '27 £116.28
Do. (No.7) Class A1 FRN '28 £15.63
Do. Class A2 FRN '28 £144.41
Do. Class A3 FRN '28 £146.93
Do. (No.9) Class A2 FRN '33 £81.09
Do. Class A3 FRN '33 £146.70
Contra-Cyclical Inv. Tst. Inc. 2.25p
Danae Inv. Tst. 4.575p
Dart Grp. 2.4p
Derby Tst. 7.102p
Ecclesiastical Ins. 13% Db. '18 £6.50
Excalibur 11.5% Pf. 5.75p
Gartmore Brit. Inc. [illegible] Gwth. Tst. Geared Inc. 1.82p
Do. Units 1.82p
Geared Inc. Inv. Tst. 1.5p
Gibbon Lyons 7% Cv. Pf. 3.5p
Glasgow Inc. Tst. 0.6p
Great Western Fin. $0.23
Hill Samuel Fin. FRN '96 $268.33
Homer Fin. (No.2) Class A FRN '30 £126.86
Do. Class B FRN '30 £180.22
IFG IR0.3p
Ivory [illegible] Sime ISIS Tst. 5.5p
Lloyds Bank Prim Cap. FRN (Ser.2) $122.89
Do. (Ser.3) $209.58
Lon. & Assoc. Inv. Tst. 0.59p
Lon. [illegible] St. Lawrence Inv. 5% Cm. Pf. 1.75p
Lon. & Strathclyde Tst. [illegible] Pf. £1.75
Masthead Ins. Underwriting 1.7p
Mitsubishi Bank Fltg. Rate Ptpcn. 2000 $1245.83
Morgan Grenfell Und. Prim. Cap. FRN $223.61
Nat West Bank Prim. Cap. FRN Ser.C $121.99
Do. Und. Var. Rate Nts. $146.31
OLIM Cv. Tst. 4.3p
Parkland 4.2% Cm. Pf. 2.1p
Prowting 14.5% Cm. Pf. 7.25p
REA Hldgs. 8p
RPH 4½% Un. Ln. 04/09 £2.25
Do. 9% Un. Ln. '99/2004 £4.50
Rugby Gtd. FRN Aug.'97 $12535.0
Royal Bank Can. Fltg. Rate Db. 2005 $41.82
Sanwa Bank Sb. FRN 2000 $1245.83
Second Mkt. Inv. 2½% Cv. Un. Ln. '94 £1.25
Seiyu 7¼% Cv. Bd. '98 £36.25
Slimma 1.3p
Sphere Inv. Tst.Inc. & Res. Cap. 0.75p
Do. Package Units 6p
Standard Chart. Sb. FRN '96 £67.42
State Dev. Institute 10½% Gtd. Bd. 2000 $525.0
Temple Bar Inv. Tst. 6% Cv. Ln. '02 £3.0
[illegible] Gtd. FRN '94 £13.55
Do. Gtd. FRN '99 £137.05
TMC PIMBS Fifth Fin. Nts. No.6 Aug.'28 £63.79
Do. Nts. No.1 Aug.'30 £136.47
Do. Seventh Fin. Class A Nts. No.8 Aug.'31 £89.97
Do. Class [illegible] No.8 Aug.'31 £150.84
TR City of Lon. Tst. 1.31p
Do. 20% Non-Cm. Pf. 7p
Do. [illegible] Cm. 1st Pf. £2.10
Do. 6% Non-Cm. 2nd Pf. 2.1p
TR Far East Inc. Tst. 7% Db. '97/2002 £3.50
TSB Nar. Rate Sb. Nts. '03 £144.98
Villiers [illegible] Cv. Un. Ln. 94/97 5.5p
Wellman 0.6p
Wells Fargo FRN 2000 $48.13
Woolwich Bldg. Scty. Sb. FRN '01 £3185.34

■ THURSDAY SEPTEMBER 1
Aberdeen 10.8% Rd. '11 £5.40
Ahmanson (HF) $0.22
American Brands $0.50
American General $0.29
Asarco $0.10
Assoc. Brit. Foods 8.5p
Barclays Bank Non-Cm. $ Pf. Ser.A $0.558
Do. Ser.B $0.5438
Do. Ser.C1 $0.4219
Do. Ser.C2 $0.1406
Do. C Units $0.5625
Do. Ser.D1 $0.4313
Do. Ser.D2 $0.1437
Do. D Units $0.575
Birmingham Mid. Bldg. Scty. 9¾% Perm. Int. Brg. £46.875
Brockhampton 7.5p
Do. A N/Vtg. 7.5p
Burndene Inv. 0.75p
Cable & Wireless 5.65p
Coventry Bldg. Scty. 12⅛% Perm. Int. Brg. £60.625
East Surrey Water 10% Rd. Db. '97/99 £5.0
Eurocopy 0.6p
Fleming Claverhouse Inv. Tst. 1.25p
Fleming Mercantile Inv. Tst. 1.875p
Ford Motor $0.225
Govett $0.11
Halifax Bldg. Scty. 8¾% Perm. Int. Brg. £2187.50
Do. 12% Perm. Int. Brg. [illegible]
Inco $0.10
Ingersoll-Rand $0.185
Lon. County 2½% Cons. £0.625
Do. 3% Cons. £0.75
Low & Bonar 6% 1st Cm. Pf. 2.1p
Do. 6% 2nd Cm. Pf. 2.1p
Do. 5½% 3rd Cm. Pf. 1.925p
Lucas Inds. 6½% Cm. 1st Pf. 2.275p
Met. Water Board 3% B 1934/2003 £1.50
Mexico 16½% Ln. '08 £8.25
Natl. Home Loans FRN '95 $1.48
Oldham Borough Council 11¼% Rd. '10 £5.625
P & O 3½% Db. £1.75
Do. 3½% 2nd Db. £1.75
River Plate & Gen. Inv. Tst. 5% Pf. £1.75
Rowe Evans 2p
Sainsbury (J) 8% Irrd. Un. Ln. £4.0
Schneiders 6% Cm. Pf. 2.1p
Slough Ests. Cm. Pf. 4.125p
South West Water 17.1p
Staids 0.65p
Thames Inv. FRN '97 $222.93
Thames Water 15.1p
Transcanada Pipelines 16½% 1st Mtg. Pipe Line Bd. '07 8.25p
Treasury 8¾% Ln. '97 £4.375
Union Carbide $0.1875
USLIFE $0.31
Witan Inv. 8% Db. 96/99 £4.0
Do. 6¼% Exch. Bd. '08 £31.25

■ FRIDAY SEPTEMBER 2
Aberforth Smaller Co's Tst. 2.1p
Aberforth Split Level Tst. 2.45p
Do. Units 2.45p
Do. C 1.11p
Boeing $0.25
Ivory & Sime 5.25p
Latinvest 10¼-11¼% Stppd. Int. 1st Mtg. Db. '12 £5.625
Lloyds Bank Sb. FRN '99 £14.97
Meyer Int. 6.6p
Millgate 0.5p
Shaw (Arthur) 1.5p
Sturge 1p

■ SATURDAY SEPTEMBER 3
Conv. 9% 2000 £4.50

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Abtrust New Dawn Inv. Tst., 99, Charterhouse Street, E.C., 12.30
Coal Invs., 22, Tudor Street, E.C., 10.00
BOARD MEETINGS:
Finals:
Cathay Int.
Lombard Insurance
Verity
Interims:
Astec (BSR)
Beckenham
Buckingham Int.
Dixon Motors
Guinness Peat
London Fin. & Inv.
Macfarlane
RJB Mining
Stewart & Wight

■ TOMORROW
COMPANY MEETINGS:
Alphameric, 50, Stratton Street, W., 11.00
Bucknall Grp., 5, Scotland Street, Birmingham, 12.00
Donelon Tyson, Manchester Airport Hilton Hotel, Manchester, 3.30
BOARD MEETINGS:
Finals:
Fletcher Challenge
IAF Grp.
Newmark (Louis)
Interims:
Cairn Energy
Domnick Hunter
Johnston Press
Mowlem (John)
Partco
Provident Fin.
Palon
Ropner
Serco
Spring Ram

■ THURSDAY SEPTEMBER 1
COMPANY MEETINGS:
Albe, Harvard House, 14-16, Thames Road, Barking, Essex, 11.00
Carclo Eng., Holiday Inn, Leeds, 4.00
Clayhithe, Naval & Military Club, 94, Piccadilly, W., 12.00
EFM Japan Tst., Donaldson House, 97, Haymarket Terrace, Edinburgh, 12.00
Morris Ashby, 16, Freebournes Road, Witham, Essex, 2.30
Priors Leisure, Enfield Hotel, 52, Rowantree Road, Enfield, 10.00
BOARD MEETINGS:
Finals:
Courtyard Leisure
Lynx Printing Tech.
Interims:
Anglo Pacific
Barr & Wallace Arnold Tst.
British-Borneo Petroleum
Cattles Hldgs.
Eclipse Blinds
Hartons
Ladbroke
Lilliput
Page (Michael)
Quarto
Reckitt & Colman
Rolls-Royce
Silvermines
T & N
Utd. Carriers
Vickers
Waterford Wedgwood
Williams Hldgs.

■ FRIDAY SEPTEMBER 2
COMPANY MEETINGS:
European Motor Hldgs., Bank of America House, 25, Cannon Street, E.C., 12.00
GEC, Grosvenor House, Park Lane, W., 12.00
Menzies (John), George Hotel, 21, George Street, Edinburgh, 12.15
Victoria Carpet, Green Street, Kidderminster, 3.00
BOARD MEETINGS:
Finals:
Cantors
Haynes Publishing
Isotron
TR City of London Tst.
Interims:
Fife Indmar
Henlys
Pearson
Schroders

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 29 / Sch)

BELGIUM/LUXEMBOURG (Aug 29 / Frs.)

DENMARK (Aug 29 / Kr)

FINLAND (Aug 29 / Mkk)

FRANCE (Aug 29 / Frs.)

NETHERLANDS (Aug 29 / Fls.)

NORWAY (Aug 29 / Kroner)

SPAIN (Aug 29 / Pts.)

SWEDEN (Aug 29 / Kronor)

SWITZERLAND (Aug 29 / Frs.)

ITALY (Aug 29 / Lire)

PACIFIC

JAPAN (Aug 29 / Yen)

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

NORTH AMERICA

CANADA

TORONTO (Aug 29 / Can $)

4 pm close

MONTREAL (Aug 29 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Aug 29 / Rand)

FT FREE ANNUAL REPORTS SERVICE

TOKYO - MOST ACTIVE STOCKS: Monday, August 29, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Mtl	7.7m	345	+8	Nomura Secs	2.5m	2210	+10
Toray	5.8m	770	+2	Toyota	2.2m	2150	
Nippon Steel	5.0m	372	+2	NKK	2.1m	285	+5
Ricoh	2.7m	982	+16	Nippon Comsys	2.1m	1690	+30
Kobe Steel	2.5m	320	+2	Mitsubishi Hvy	2.1m	783	+3

INDICES

US INDICES

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
[illegible]	[illegible]	2076.0	+9.00	2088.0	2058.0	24,311	17,352
[illegible]	2076.0	2084.0	+8.00	2095.5	2068.0	8,018	32,998
Oct	[illegible]	2094.0	+9.50	2103.0	2080.0	176	8,050

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

** Sat Aug 27: Taiwan Weighted Price 6953.04; Korea Comp Ex 941.23. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEO Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 29 – 2215.72 +25.14

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0589	+0.1579	475 - 663	17.1322	17.7653	17.0526	0.3	17.0407	0.4	-	-	-
Belgium	(BFr)	49.9190	+0.2921	805 - 575	50.1540	49.4160	49.919	0.0	49.909	0.1	49.714	0.4	-
Denmark	(DKr)	9.6021	+0.0664	947 - 094	9.6380	9.6944	9.6104	-1.0	9.6317	-1.2	9.6719	-0.7	-
Finland	(FM)	7.8344	-0.0018	242 - 446	7.8610	7.8230	-	-	-	-	-	-	-
France	(FFr)	8.2980	+0.0464	910 - 010	8.3286	8.2488	8.2992	-0.5	8.299	-0.1	8.2589	0.4	-
Germany	(DM)	2.4237	+0.0159	222 - 251	2.4347	2.4104	2.4239	-0.1	2.4207	0.5	2.3921	1.3	-
Greece	(Dr)	367.594	+1.997	167 - 020	369.372	365.497	-	-	-	-	-	-	-
Ireland	(I£)	1.0121	-0.0026	113 - 128	1.0222	1.0113	1.0125	-0.5	1.014	-0.7	1.0197	-0.7	-
Italy	(L)	2448.84	+5.9	727 - 040	2457.83	2437.48	2455.44	-3.2	2468.44	-3.2	2533.84	-3.6	-
Luxembourg	(LFr)	49.9190	+0.2921	805 - 575	50.1540	49.4160	49.919	0.0	49.909	0.1	49.714	0.4	-
Netherlands	(Fl)	2.7199	+0.0161	188 - 210	2.7320	2.7041	2.7201	-0.1	2.7167	0.5	2.6859	1.3	-
Norway	(NKr)	10.6314	+0.0523	264 - 364	10.6739	10.5137	10.6284	0.3	10.6389	-0.3	10.6249	0.1	-
Portugal	(Es)	248.492	+0.397	258 - 725	247.849	245.679	248.222	-8.4	251.492	-8.0	-	-	-
Spain	(Pta)	201.128	+0.597	001 - 254	202.070	200.078	201.606	-2.9	202.413	-2.6	205.203	-2.0	-
Sweden	(SKr)	11.8539	+0.0042	433 - 645	11.9184	11.7458	11.8754	-2.2	11.9259	-2.4	12.1464	-2.5	-
Switzerland	(SFr)	2.0493	+0.0178	478 - 507	2.0584	2.0366	2.0477	0.9	2.0434	1.2	2.0109	1.9	-
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	-
Ecu	-	1.2707	+0.0055	697 - 716	1.2760	1.2646	1.2714	-0.6	1.2721	-0.4	1.2696	0.1	-
SDR†	-	0.941336	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5309	-0.0108	303 - 315	1.5340	1.5272	-	-	-	-	-	-	-
Brazil	(R)	1.3726	+0.0033	713 - 738	1.3738	1.3690	-	-	-	-	-	-	-
Canada	(C$)	2.0956	-0.0173	945 - 966	2.1051	2.0802	2.0949	0.4	2.0953	0.0	2.0962	0.0	-
Mexico	(New Peso)	5.1740	-0.0249	685 - 795	5.1796	5.1636	-	-	-	-	-	-	-
USA	($)	1.5310	-0.011	305 - 315	1.5340	1.5270	1.5307	0.2	1.5289	0.6	1.516	1.0	-
Pacific/Middle East/Africa													
Australia	(A$)	2.0613	-0.0111	599 - 626	2.0671	2.0530	2.0612	0.0	2.0626	-0.3	2.0806	-0.9	-
Hong Kong	(HK$)	11.8321	-0.0848	274 - 367	11.8555	11.8019	11.8282	0.4	11.8271	0.2	11.8342	0.0	-
India	(Rs)	48.0313	-0.3397	080 - 546	48.1330	47.9250	-	-	-	-	-	-	-
Japan	(Y)	153.445	-1.19	358 - 533	154.000	153.320	153.075	2.9	152.21	3.2	147.435	3.9	-
Malaysia	(M$)	3.9067	-0.0202	058 - 115	3.9178	3.8997	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5417	-0.0142	398 - 436	2.5444	2.5365	2.5459	-1.8	2.5534	-1.8	2.5756	-1.3	-
Philippines	(Peso)	40.5334	-0.2898	522 - 145	40.8145	40.2522	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7418	-0.0411	397 - 439	5.7528	5.7270	-	-	-	-	-	-	-
Singapore	(S$)	2.2988	-0.0149	973 - 003	2.3015	2.2936	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4990	-0.0255	960 - 019	5.5101	5.4898	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9890	-0.0088	714 - 066	7.0066	6.9588	-	-	-	-	-	-	-
South Korea	(Won)	1227.02	-9.4	654 - 750	1229.35	1223.89	-	-	-	-	-	-	-
Taiwan	(T$)	40.1689	-0.3247	335 - 003	40.2836	40.0822	-	-	-	-	-	-	-
Thailand	(Bt)	38.3210	-0.1815	931 - 488	38.3680	38.2380	-	-	-	-	-	-	-

†SDR rates for Aug 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	11.1410	+0.1815	385 - 435	11.2135	11.0850	11.141	0.0	11.1408	0.0	11.068	0.7	104.4
Belgium	(BFr)	32.6055	+0.421	910 - 200	32.7900	32.2600	32.6305	-0.9	32.6555	-0.6	32.7805	-0.5	105.9
Denmark	(DKr)	6.2718	+0.0676	690 - 745	6.3117	6.2222	6.2783	-1.2	6.2993	-1.8	6.3768	-1.7	104.7
Finland	(FM)	5.1172	+0.0352	122 - 222	5.1503	5.1046	5.1197	-0.6	5.1312	-1.1	5.2022	-1.7	78.6
France	(FFr)	5.4187	+0.068	172 - 202	5.4542	5.3845	5.4218	-0.7	5.428	-0.7	5.3912	0.5	105.4
Germany	(D)	1.5831	+0.0216	826 - 836	1.5940	1.5724	1.5833	-0.2	1.5893	-0.1	1.5776	0.3	107.2
Greece	(Dr)	240.100	+3	900 - 300	240.900	238.550	240.4	-1.5	241.075	-1.6	243.875	-1.6	69.4
Ireland	(I£)	1.5128	-0.0069	121 - 134	1.5142	1.4938	1.5117	0.8	1.5078	1.3	1.4863	1.8	-
Italy	(L)	1599.50	+15.18	900 - 000	1609.50	1590.25	1604.05	-3.4	1614.3	-3.7	1670	-4.4	75.5
Luxembourg	(LFr)	32.6055	+0.421	910 - 200	32.7900	32.2600	32.6305	-0.9	32.6555	-0.6	32.7805	-0.5	105.9
Netherlands	(Fl)	1.7765	+0.0231	764 - 767	1.7890	1.7654	1.7768	-0.1	1.7769	-0.1	1.7718	0.3	105.7
Norway	(NKr)	6.9441	+0.0833	431 - 451	6.9905	6.8680	6.9465	-0.4	6.9591	-0.9	6.8701	1.0	96.3
Portugal	(Es)	161.000	+1.4	900 - 100	162.120	160.200	161.95	-7.1	163.625	-6.5	171	-6.2	95.2
Spain	(Pta)	131.370	+1.32	330 - 410	132.200	130.680	131.705	-3.1	132.375	-3.1	135.27	-3.0	80.7
Sweden	(SKr)	7.7426	+0.0577	382 - 470	7.8102	7.7150	7.7801	-2.7	7.8006	-3.0	8.0028	-3.4	79.1
Switzerland	(SFr)	1.3385	+0.021	380 - 390	1.3475	1.3283	1.3378	0.7	1.3365	0.6	1.3263	0.9	106.6
UK	(£)	1.5310	-0.011	305 - 315	1.5340	1.5270	1.5307	0.2	1.5289	0.6	1.516	1.0	87.3
Ecu	-	1.2049	-0.0139	044 - 054	1.2118	1.1985	1.204	0.9	1.2019	1.0	1.1941	0.9	-
SDR†	-	1.46284	+0.0023	284 - 284	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0001	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R)	0.8965	+0.0085	960 - 970	0.8970	0.8920	-	-	-	-	-	-	-
Canada	(C$)	1.3688	-0.0015	685 - 690	1.3715	1.3675	1.3696	-0.7	1.3709	-0.6	1.3818	-0.9	83.1
Mexico	(New Peso)	3.3795	+0.0079	770 - 820	3.3820	3.3680	3.3805	-0.4	3.3823	-0.3	3.3897	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3464	+0.0024	459 - 468	1.3488	1.3441	1.3467	-0.2	1.3474	-0.3	1.3547	-0.6	86.2
Hong Kong	(HK$)	7.7283	-0.0002	278 - 288	7.7288	7.7288	7.7281	0.0	7.7288	0.0	7.7438	-0.2	-
India	(Rs)	31.3725	+0.0025	675 - 775	31.3875	31.3675	31.4575	-3.3	31.6025	-2.9	-	-	-
Japan	(Y)	100.225	-0.06	200 - 250	100.600	100.070	100.005	2.6	99.585	2.6	97.29	2.9	146.7
Malaysia	(M$)	2.5530	+0.006	520 - 540	2.5595	2.5498	2.5439	4.3	2.5325	3.2	2.606	-2.1	-
New Zealand	(NZ$)	1.6602	+0.0026	595 - 609	1.6611	1.6581	1.6611	-0.7	1.663	-0.7	1.6663	-0.6	-
Philippines	(Peso)	26.4750	-	000 - 500	26.6500	26.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7506	3.7501	3.7517	-0.4	3.7568	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5015	+0.001	010 - 020	1.5020	1.5003	1.5002	1.1	1.4983	0.9	1.4915	0.7	-
S Africa (Com.)	(R)	3.5918	+0.009	910 - 925	3.5990	3.5815	3.6073	-5.2	3.6358	-4.9	3.7123	-3.4	-
S Africa (Fin.)	(R)	4.5650	+0.03	550 - 750	4.5650	4.5550	4.5967	-8.9	4.6575	-8.1	-	-	-
South Korea	(Won)	801.450	-0.4	400 - 500	801.700	801.400	804.45	-4.5	807.95	-3.2	826.45	-3.1	-
Taiwan	(T$)	26.2358	-0.0242	225 - 480	26.2785	26.2225	26.2559	-0.9	26.2958	-0.9	-	-	-
[illegible]	(Bt)	25.0300	+0.06	200 - 400	25.0450	25.0200	25.1025	-3.5	25.23	-3.2	25.71	-2.7	-

[illegible] for Aug 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 26. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.23	16.62	4.856	2.027	4906	5.447	21.29	493.6	402.9	23.74	[illegible]	2.003	4.199	3.067	307.3	2.546
Denmark	(DKr)	51.99	10	8.640	2.524	1.054	2551	2.832	11.07	256.7	209.4	12.34	[illegible]	1.041	2.183	1.594	159.8	1.324
France	(FFr)	60.17	11.57	10	2.922	1.220	2952	3.277	12.81	297.1	242.4	14.28	[illegible]	1.205	2.527	1.845	184.9	1.532
Germany	(DM)	20.59	3.961	3.422	1	0.417	1010	1.122	4.385	101.7	82.96	4.889	[illegible]	0.413	0.865	0.632	63.28	0.524
Ireland	(I£)	49.33	9.489	8.198	2.395	1	2420	2.687	10.50	243.6	198.7	11.71	[illegible]	0.988	2.071	1.513	151.6	1.256
Italy	(L)	2.038	0.392	0.339	0.099	0.041	100	0.111	0.434	10.07	8.212	0.484	0.084	0.041	0.086	0.063	6.264	0.052
Netherlands	(Fl)	18.36	3.531	3.051	0.892	0.372	900.7	1	3.910	90.68	73.96	4.358	0.754	0.368	0.771	0.563	56.42	0.467
Norway	(NKr)	46.96	9.033	7.804	2.280	0.952	2304	2.558	10	231.9	189.2	11.15	1.928	0.941	1.972	1.440	144.3	1.196
Portugal	(Es)	20.25	3.895	3.366	0.983	0.411	993.5	1.103	4.312	100	81.56	4.807	0.831	0.406	0.850	0.621	62.23	0.516
Spain	(Pta)	24.82	4.775	4.125	1.205	0.503	1218	1.352	5.286	122.6	100	5.893	1.019	0.497	1.042	0.761	76.28	0.632
Sweden	(SKr)	42.13	8.103	7.001	2.046	0.854	2067	2.295	8.970	208.0	169.7	10	1.729	0.844	1.769	1.292	129.5	1.073
Switzerland	(SFr)	24.36	4.686	4.049	1.183	0.494	1195	1.327	5.188	120.3	98.15	5.783	1	0.488	1.023	0.747	74.87	0.620
UK	(£)	49.92	9.602	8.298	2.424	1.012	2449	2.719	10.63	246.5	201.1	11.85	2.049	1	2.096	1.531	153.4	1.271
Canada	(C$)	23.82	4.581	3.958	1.156	0.483	1168	1.297	5.072	117.6	95.94	5.654	0.978	0.477	1	0.730	73.19	0.606
US	($)	32.61	6.272	5.419	1.583	0.661	1600	1.776	6.943	161.0	131.4	7.740	1.338	0.653	1.369	1	100.2	0.830
Japan	(Y)	325.4	62.59	54.08	15.80	6.597	15965	17.72	69.30	1607	1311	77.26	13.36	6.519	13.66	[illegible]	1000	8.286
Ecu		39.28	7.555	6.527	1.907	0.796	1927	2.139	8.365	193.9	158.2	9.325	1.612	0.787	1.649	[illegible]	120.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est.vol	Open int.
Sep	0.6338	0.6302	-0.0048	0.6367	0.6270	80,581	105,228
Dec	0.6345	0.6306	-0.0045	0.6345	0.6271	2,470	9,960
Mar	0.6310	0.6305	-0.0054	0.6310	0.6303	18	2,876

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

STERLING FUTURES (IMM) £62,500 per £

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

UK INTEREST RATES

LONDON MONEY RATES

Aug 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4½ - 2	4⅞ - 4	5 - 4⅞	5½ - 5⅜	6 - 5⅞	7 - 6⅞
Sterling CDs	-	-	4⅞ - 4¾	5⅜ - 5¼	5⅞ - 5¾	6⅞ - 6¾
Treasury Bills	-	-	4¾ - 4⅝	5¼ - 5⅛	-	-

BANK OF ENGLAND TREASURY BILL TENDER

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table for August 29th can be found in today's edition.

FIXED INTEREST RATES

MONEY RATES

August 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5¼	5⅝	5⅞	6⅛	7.40	4.50	-
week ago	4⅞	5¼	5⅝	5⅞	6⅛	7.40	4.50	-
France	5⅝	5⅝	5¾	5⅞	6¼	5.00	-	5.75
week ago	5⅝	5½	5⅝	5⅞	6⅛	5.00	-	5.75
Germany	4.85	4.95	4.98	5.02	5.35	6.00	4.50	4.85
week ago	4.85	4.95	4.95	5.00	5.28	6.00	4.50	4.85

EURO CURRENCY INTEREST RATES

THREE MONTH EUROCOLLAR (IMM) $1m points of 100%

US TREASURY BILL FUTURES (IMM) $1m per 100%

BENCHMARK GOVERNMENT BONDS

UK GILTS PRICES

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STOCK INDICES

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Money Market Trust Funds

Money Market Bank Accounts

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EMS EUROPEAN CURRENCY UNIT RATES

France

NOTIONAL FRENCH BOND FUTURES (MATIF)

LONG TERM FRENCH BOND OPTIONS (MATIF)

THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

Ecu

ECU BOND FUTURES (MATIF)

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

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OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

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LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

4 pm close August 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
17⅜	13⅛	AAR	0.48	3.5	54	177	13⅞	13⅝	13⅝	-¼
16⅞	12⅝	A L Labs A	0.18	1.2	36	211	16⅛	15¾	15½	-⅜
75¼	57⅝	AMP	1.68	2.3	25	1054	72⅞	72⅜	72⅝	-⅛
72¾	52⅛	AMR			102	4799	58⅝	57¾	58¼	+½
5	3⅛	ARX			13	485	3⅞	3⅝	3⅞	
56⅛	38⅝	ASA x	2.00	4.1	32	1510	48⅞	48⅝	48¾	+1¼
31⅜	25⅜	AbbtL	0.76	2.5	17	7509	30⅝	30⅛	30⅜	-⅛
14¾	11⅜	Abitibi Pr	0.50	3.5	10	759	u14⅜	14⅛	14¼	
28⅜	17¾	ABM Ind	0.52	2.3		89	22⅞	22⅝	22¾	-⅛
14⅝	11⅛	Acpiocaln			27	955	u14⅝	14¼	14⅝	+½
31	22⅜	ACE Ltd	0.44	1.9	3	2282	23⅛	22⅞	23	-⅛
12½	9⅝	ACM Gvt In x	1.09	11.1		458	9⅞	9¾	9⅞	+1/32
10⅛	7⅜	ACM GvOpp x	0.80	10.6		28	7½	d7⅜	7⅜	+.55
10⅝	7½	ACM Gvt Sp x	0.96	12.2		290	7⅞	7⅝	7⅞	+1/16
12	8⅝	ACM Gvt Sn x	1.09	12.3		227	9	8⅞	8⅞	+1/16
11¾	8⅜	ACM Mun x	1.08	12.3		155	8⅞	8¾	8¾	+1.09
9⅛	8	ACM Manspd x	0.72	9.0		163	8⅛	d8	8	+1/16
15½	8¼	AcmeClv	0.44	3.6	15	37	12½	12¼	12¼	-⅛
9⅞	6½	Acme Elect			7	11	8⅞	8⅞	8⅞	-⅛
28¾	23	Acordia x	0.60	2.3	13	25	26⅜	26⅛	26¼	-⅛
13¼	5¼	Actava	0.36	2.8	3	704	13¼	13	13	
19⅝	11⅞	Acuson			118	507	14⅞	14½	14⅞	+⅜
18¾	16½	Adams Expr x	0.48	2.7	0	193	17¾	17½	17⅝	-⅛
64	46½	Ad Micro x	3.00	5.1		84	60¼	59	59	-¾
31¾	18⅝	AdvMic	3.00	10.3	12	4734	29⅞	28⅞	29	-⅞
6⅞	5	Advest Grp	0.16	3.0	8	39	5⅝	5¼	5¼	-⅛
20	15	Advo Inc	0.10	0.5	122	15	18⅜	18¼	18⅜	
59½	49⅛	Aegon ADR	2.95	5.0	12	5	59	58¾	58¾	-½
65¾	49	AetnaL	2.76	5.5	7	3425	51⅞	50⅜	50½	-1
36¾	25¼	Aflac x	0.46	1.3	16	693	35⅝	35½	35½	-⅛
22¾	16⅜	Ahmans	0.88	4.0	15	2020	22⅛	21¾	21⅞	+⅛
4	1⅜	Aileen Inc			1	58	1⅝	1⅝	1⅝	+⅛
50⅜	38⅞	AirPrC	0.96	2.0	27	2534	50¼	49½	49½	-⅜

BE OUR GUEST.

SAS Royal Hotel BRUSSELS

When you stay with us in BRUSSELS stay in touch - with your complimentary copy of the FINANCIAL TIMES

Continued on next page

4 pm close August 29

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
30¼	25	StJoeL&P	1.80	6.3	14	41	28½	28½	28½	+⅛
45	37¾	StPaul	1.50	3.5	4	1765	43⅛	42⅜	42⅝	-⅜
9⅜	5	Salant Crp			6	14	5½	5⅜	5½	+⅛
49⅞	32⅝	Sallie Mae x	1.40	3.7	7	6021	37⅝	37⅛	37½	+1⅛
13⅞	11⅞	Salomon Br	0.32	2.5		188	12⅝	12¾	12¾	
52¾	41½	Salomn	0.64	1.5	5	2082	44⅛	43¾	43¾	-¼
25	17½	SnDgGE	1.52	7.7	10	443	19⅞	19¾	19¾	-⅛
10	7½	SantaFeERe	0.16	1.7	9	684	9½	9¼	9⅜	
15⅛	13½	SFeSd				3335	u15⅞	15	15⅞	+¾
40	31½	SantaFePac	2.80	8.1	16	68	34½	34⅛	34⅜	
28¼	18½	SanFeP	0.10	0.5	11	7692	20⅜	20¼	20⅜	+⅜
26	19⅛	SaraLee x	0.64	2.8	15	6675	23	22½	22½	-⅜
50⅛	42⅛	Scana Corp	2.62	6.2	12	163	46	45⅝	45⅝	-⅛
20½	12⅝	Scecrp	1.00	7.3	9	4160	13¾	13⅝	13⅝	+⅛
40½	31¾	ScheringP			30	217	40	39¼	40	+1⅝
71⅞	54½	SchrPl	2.04	2.9	16	2577	71¼	70⅛	70¼	-¼
63	50¼	Schlmb x	1.20	2.1	23	3796	58⅝	58¼	58¼	[illegible]
33⅞	23¼	Schwab(C)	0.36	0.9	14	952	30¼	29⅜	29⅝	-⅜
10⅜	6⅛	Schweitzer			25	55	9	8⅞	9	
44¾	24⅞	SciAtl	0.12	0.3	88	879	44⅝	44	44⅛	-¼
16⅞	13	Scotsman	0.10	0.6	14	71	15⅞	15⅛	15⅛	-⅛
64	37¼	ScottP x	0.80	1.3	17	3830	u64¼	63⅛	63⅞	+¼
28⅝	18⅝	ScudderNAsF	0.21	0.9		94	24½	24	24⅜	
12⅝	9½	ScudderNEuF	0.16	1.5		168	10⅝	10⅝	10⅝	-⅛
18¼	13½	SeaCnB	0.70	4.0	8	31	17½	17¼	17½	+⅜
16½	14⅞	SeaC1 4625 x	1.48	9.4		10	15½	15½	15½	-⅜
32	28¼	Seagram	0.56	1.8	40	2204	u32	31⅝	31⅞	+⅜
29¾	23	Seagull En			30	647	23⅜	d22¾	23¼	-⅛
34¼	28⅝	Sealed Air			25	238	34⅛	33⅞	34	+⅛
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close August 29

[illegible]

AMEX COMPOSITE PRICES

4 pm close August 29

[illegible]

AMERICA

Commerce data take Dow up again

Wall Street

US stocks forged ahead yesterday morning as investors ignored a flat bond market and built on last week's powerful rally, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 18.12 stronger at 3,899.17, within reach of its highest closing level since just after the Federal Reserve's shift to tighter credit in early February.

The more broadly based Standard & Poor's 500 was 1.28 firmer at 475.08. Volume on the Big Board was moderate, with 157m shares traded by early afternoon. In the secondary markets, the American SE composite was 0.59 ahead at 450.15 and the Nasdaq composite put on 1.24 at 764.34.

Early on, modest gains by bonds and a further improvement by the dollar provided a supportive backdrop for stocks. The catalyst was welcome news from the Commerce Department that July personal income had risen 0.5 per cent from the previous month's figure, while personal consumption had edged 0.2 per cent higher. Both figures were consistent with the impression of moderate growth and low inflation.

By mid-morning the dollar began to reverse direction and bonds followed suit amid thin summertime trading conditions. Stocks stumbled briefly, but were driving higher again within an hour.

Many of the cyclical issues which had led the Dow industrials in a powerful 125-point advance last week paused yesterday. Caterpillar gave back $1 at $114⅝ and Alcoa appreciated just $⅜ to $81⅞.

But International Paper remained strong, leading a generally buoyant paper and pulp sector with a gain of $1¼ at $75¼. Elsewhere in the group, Stone Container climbed $1¾ to $19⅝ and Georgia Pacific $1⅝ to $73¾.

McDonald's was marked up $1⅛ to $28¼ on favourable press comment about the company's growth prospects.

Merger and acquisition news figured prominently in the morning's activity. ITT dropped $3⅝ to $83¼ after agreeing to pay a premium price for Viacom's Madison Square Garden businesses. Its partner, Cablevision, slipped $¾ to $57⅝, while Viacom was down $¾ to $38.

The pharmaceuticals industry appeared to be poised for further consolidation with the Marion Merrell Dow's announcement that it was exploring a possible sale of the company. Its majority owner, Dow Chemical, jumped $2⅝ to $73⅜ on the news, while MMD was marked up $2 to $24¼.

On the Nasdaq, Nextel Communications tumbled $5⅝ to $24⅝ following the expiration of its agreement to form a wireless network with MCI and Comcast.

Canada

Toronto moved higher in moderate midday trade, but gains were modest as the market paused after last week's upward momentum.

The TSE-300 composite index added 4.30 points at 4,308.73 in turnover of 29.9m shares. Advances outscored declines by 299 to 288, with 254 issues steady.

Of 14 sub-indices, nine climbed. The transportation sector gained 90.97, or 1.9 per cent, at 4,863.12, spurred by rises in Trimac and Laidlaw "B" shares. Trimac put on C$⅝ at C$16⅝ while Laidlaw added C$¼ at C$11¼ in brisk trade.

Communications and media advanced 70.88, or 0.8 per cent, to 8,826.89.

Brazil

São Paulo was 1.6 per cent lower in light midday trade as an expected high rate of August inflation in the forthcoming IPC-R index continued to take its toll of share prices.

The Bovespa index declined 819 to 51,224 in weak volume of R$83.6m ($93.2m).

Conflicting influences on Stockholm bourse

Christopher Brown-Humes charts Swedish equities

The Swedish stock market has been getting plenty of what it likes in recent weeks, as a stream of interim reports from the big multinationals have more than matched expectations.

Unfortunately, there have been equally big doses of what it dislikes: volatile interest rate and currency movements, lowered economic growth forecasts and a lot of political uncertainty. Given the two competing influences, it is not surprising that shares have struggled to make headway.

But making headway they are. Progress is modest but equities are still in positive territory for the year to date. At yesterday's close, the Affärsvärlden General index stood at 1,462.30, up 3.40 on the day.

The central bank's increase in key interest rates earlier this month, the first for nearly two years, gave the stock market its biggest jolt since the country's November 1992 devaluation. In three days, shares plunged by 5 per cent, wiping out the year's entire advance.

The mood remains nervous. Sweden is entering the run-up to September's general election and a referendum on membership of the European Union in November. The markets are fast becoming reconciled to the prospects of a Social Democratic government, which is well ahead in the polls, but they are still troubled about the state of the country's finances.

The SKr61bn budget strengthening programme which the Social Democrats announced 10 days ago has brought bond yields down; but there is a widespread feeling that the sums are inadequate, and the market remains unsettled.

Mr Mike Young, Merrill Lynch's director of European investment strategy, says the market will remain nervous "at least until we see what kind of initial budget steps are taken" by the new government. "The market can only discount probabilities until we see reality," he adds. Among other things, the Social Democrats plan to increase capital gains taxes and restore double taxation of dividends.

Bond and stock markets have decoupled somewhat in recent days, with shares managing to climb in spite of bond market volatility. This is partly because there is rising optimism about the corporate outlook and a Swedish entry into the EU. Even so, equities remain overshadowed by developments in the bond market, not least because rising long-term interest rates have led to a readjustment of economic growth rate projections.

The general view now is that Sweden's economy will grow by 1.5 per cent to 2.0 per cent this year, rather less than the 2.0 per cent to 2.5 per cent forecast earlier. The gloomier tone was reinforced last week when several leading banks indicated that their 1994 results would be hit by worries over the state of the economy.

In spite of this, shares have been making headway precisely because the country's blue chips, with 80 to 90 per cent of their sales abroad, are so insulated from the problems in the domestic economy. Indeed, they may benefit from a difficult economic climate at home if it holds down wage costs and prices and keeps the Swedish currency weak.

The current results season has provided plenty of cheer, with a string of impressive results from such heavyweights as SKF, Ericsson and Electrolux. Companies still to report, including Astra, the high-flying pharmaceuticals specialist, and Volvo, are also expected to produce spectacular figures.

Astra, the biggest Swedish company by market capitalisation, has seen a particularly strong rise in its share price over the last few days in a run which has partly been fuelled by takeover speculation.

One sector which is experiencing a particular revival is pulp and paper, where rising prices and operating rates are starting to feed a strong profits recovery. Stora, Europe's biggest pulp and paper group, confirmed this trend last week, increasing profits to SKr1.51bn from SKr30m.

The 25 per cent fall in the value of the krona over the last two years, heavy cost-cutting and the improving economic outlook in the US and Europe provide the platform from which the strong corporate revival is being made.

It explains why Kleinwort Benson in London was expecting Swedish corporates' first-half operating profits to improve by 107 per cent and pre-tax profits by 141 per cent even before the interim reporting season got under way. And it explains why the market has its supporters even during the current turbulence.

In the longer term, the market's ability to outperform will still depend on the political arena. Should the next few months produce a "yes" to Europe and a tough budget strengthening package, interest rates should fall on a strengthening krona.

This would provide a solid background for further equity market gains, especially as corporate profits are expected to make further advances next year. A vote against joining Europe, on the other hand, would undoubtedly cast a deep shadow over the market.

This is why a number of analysts remain cautious in the short term but more optimistic over a longer time frame. Mike Young of Merrill Lynch expects the Swedish market to underperform over the next three to six months, but outperform on a 12-month view.

EUROPE

SBF acts to curb Euro Disney bloodletting

The absence of UK business took its toll of bourse volume yesterday morning, but the afternoon saw more action after a lively start on Wall Street, *writes Our Markets Staff.*

PARIS ended higher, the CAC 40 index advancing 12.53 to 2,075.27. But on a thin day, with turnover of FFr2.4bn, any satisfaction professionals might have had was marred by Euro Disney and Danone.

The leisure group, suspended limit down on Friday, was twice suspended yesterday for the same reason as it fell by 10 per cent, and then by a further 5 per cent. Finally, the French Bourses Association, SBF, said it had put a FFr7.75 floor under the shares for the day, and would not execute orders below that price.

Euro Disney was finally FFr1.10, or nearly 12 per cent, lower at FFr8.40 after bottoming out at FFr7.75, depressed by poor prospects and the lack of apparent value in the stock.

Danone, the food group, dropped FFr32, or 3.8 per cent, to FFr814. Here, the market liked neither the fall of 8 per cent in first-half profits, nor the nomination of Mr Franck Riboud, son of the Danone chairman, to the board.

FRANKFURT ignored trenchant arguments expressed last week about the expensiveness of its equity market, and continued to attach itself to US stocks and bonds.

There was little real excitement about a 31.65 rise to 2,193.65 in the Dax index on the session, because volume was inhibited by London's closure and the session's gain little more than consolidated the post-bourse close of 2,190.58 last Friday. However, yesterday's post-bourse took the Ibis indicated Dax up a further 25.14 to 2,215.72 as strength in the dollar continued, and bund futures broke through resistance at 92.

The afternoon's big winners included both oversold defensive stocks and recently popular cyclicals, Deutsche Bank and Bayernhypo closing the post bourse up DM13.50 at DM431.50 and DM13.50 at DM740.50, and Bayer and Hoechst gaining DM8 and DM8.80 respectively to DM379.50 and DM369.50.

ZURICH moved forward 2.1 per cent in active trade which saw the return of some private investors on Wall Street and bond markets. The SMI index finished 53.9 higher at 2,635.2, with the firm dollar proving a further positive factor.

Among the banks, hard hit in the weeks since reporting six-month figures, UBS bearers rose SFr34 to SFr1,160. One analyst noted that investors appeared to be switching from SBC to UBS on reconsideration of its results and in response to news that UBS had substantially increased its securities portfolio in the first half of the year. CS Holding firmed SFr15 to SFr541.

Roche certificates rose SFr140 to SFr5,985, close to resistance at SFr6,000.

Ciba registered added SFr22 at SFr821 amid optimism that the group would confirm hopes tomorrow that earnings were accelerating in its industrial and agricultural sectors.

Sandoz, also with half-year results due later in the week, saw its bearers advance SFr22 to SFr715.

Oerlikon-Bührle, which released lower than expected half-year figures on Saturday, slipped SFr3 to SFr145.

Bearer shares in Surveillance dropped SFr35, or 1.7 per cent, to SFr2,085 following news that the chief executive officer had stepped down.

AMSTERDAM took its cue from the stronger dollar and firmer US stocks, and the AEX index gained 3.77 at 424.60.

Royal Dutch rose Fl 4.20 to Fl 199.80, the positive impact of the firm dollar outweighing disappointing oil prices. Among other dollar earners, KLM firmed 50 cents to Fl 53.00, Wolters Kluwer added Fl 2.20 at Fl 119.70, VNU rose Fl 3.20 to Fl 184.90 and Elsevier put on Fl 2.80 at Fl 172.00.

MILAN was encouraged by signs of progress on the budget and the Comit index picked up 9.10, or 1.3 per cent, to 694.70.

Insurance shares, strong last week, continued to find favour on expectations that their private pension schemes would see an influx of funds from people worried about future returns on state schemes. Over the weekend, Mr Giulio Tremonti, the finance minister, also said he wanted to see a 15 per cent tax on private pension funds scrapped.

INA gained L35 at L2,397, while Generali, Italy's largest insurance group, ended L488 higher at L42,386.

Banks, underperformers in recent weeks, regained some ground on hopes that they would also benefit from the spread of private pensions. Credito Italiano rose L60 to L2,270 and BCI L55 to L3,835.

Elsewhere, Telecom Italia climbed L39 to L4,601 while Fiat firmed L60 to L6,611.

HELSINKI featured a new high in metals and mining concern Outokumpu as the Hex index strengthened 34.2, or 1.8 per cent, to 1,948.5.

Outokumpu added FM7 at FM106 on strong demand from foreign investors, and on projections of a sharp rise in 1994 profits on higher base metals prices and internal rationalisation measures.

TEL AVIV was expecting an increase in bank rate to combat inflation. It took a 1.5 percentage points rise in its stride and the Mishtanim index recovered 5.68, or 3.3 per cent, to 179.94.

● **The FT-SE Eurotrack 100 index was unavailable yesterday because of the English bank holiday.**

Written and edited by William Cochrane and Michael Morgan

SOUTH AFRICA

Gold and mining shares came under pressure in thin trade, while industrials were underpinned by Wall Street and recent corporate results. The overall index lost 28 at 5,831, industrials eased 14 to 6,587 and golds gave up 27 at 2,242.

ASIA PACIFIC

Taipei rises 1.3 per cent to four-year high

Tokyo

Arbitrage and dealer buying outweighed selling by institutional investors, *writes Emiko Terazono in Tokyo,* and the Nikkei 225 average gained 128.93 at 20,600.42 after a day's low of 20,518.80 and high of 20,722.84.

A rise in the futures market prompted by the easing of the yen and Friday's rally on Wall Street triggered arbitrage buying in the morning. In the afternoon, the index faced profit-taking by institutional investors booking profits ahead of the September book closing.

The Topix index of all first section stocks was finally 4.39 ahead at 1,640.08 and the Nikkei 300 up 0.76 at 298.37. Advances led declines by 592 to 327, with 222 issues unchanged.

Traders said that while buying orders from public funds were putting a floor under the market, the Nikkei 225 lacked the support to rise above 21,000. "There seem to be a lot of selling orders from corporations around the 20,700 level," said Mr Yasuo Ueki at Nikko Securities. Overseas investors remained on the buying side and supported the steel sector.

Volume contracted from 233m shares to 306m, most investors staying inactive ahead of the Japan Tobacco auction results. The auction for 230,000 JT shares, which will be listed on October 27, drew bids between Y1.36m and Y2.11m per share yesterday. The government will announce the public offering price of the remaining 436,666 shares to be offered publicly tomorrow.

Brokers were hoping that the listing of Japan Tobacco and Japan Telecom will revitalise the equity market. Telecommunication linked stocks have been traded actively in recent days ahead of Japan Telecom's listing next week.

DDI, the telecom operator listed on the second section, climbed Y19,000 to Y1.01m, and Nippon Telegraph and Telephone added Y5,000 at Y885,000. Nippon Comsys, a telecom engineer, put on Y30 at Y1,590 and Nitsuko, a telephone equipment maker, moved up Y20 to Y1,560.

High-technology issues were higher on the firmer dollar. Sony advanced Y70 to Y5,900 and Victor rose Y50 to Y1,370. However, Fujitsu eased Y10 to Y1,070 on profit-taking, while Toshiba declined Y6 to Y746.

In Osaka, the OSE average firmed 91.49 to 22,926.70 in volume of 48.3m shares.

Roundup

Wall Street's performance on Friday underpinned a solid showing in some regional markets. Hong Kong was closed for a public holiday.

TAIPEI moved ahead 1.3 per cent to a four-year high, breaching the 7,000-point level in heavy buying of marine and financial issues. The weighted index was up 87.48 at 7,040.52, after touching 7,069.86, in active turnover of T$100bn.

Shipping stocks, which had lagged behind in previous rallies, were major gainers on good profits outlooks. Yang Ming Marine climbed T$1.90 to T$37.50 and Evergreen Marine rose T$3.50 to T$55.50.

SYDNEY finished 1.7 per cent higher in good volume, finding additional support in a strong index futures contract. The All Ordinaries index rose 34.7 to 2,111.8.

WELLINGTON took its lead from the stronger Australian market, the NZSE-40 Capital index advancing 35.40 to 2,141.28. Fletcher Challenge, expected to report sharply higher profits tomorrow, appreciated 9 cents to NZ$4.07.

BOMBAY saw strong demand over a broad front on the first day of the account, in specified as well as cash shares, ahead of today's public holiday. The BSE 30-share index closed 94.9 higher at 4,525.25.

SINGAPORE was firmer, with some buying of blue chips boosting an otherwise quiet market ahead of tomorrow's public holiday. Malaysian shares traded over the counter, which led gains in recent weeks, trickled downwards in the afternoon. The Straits Times Industrial index ended 12.29 stronger at 2,305.80.

KUALA LUMPUR was mixed in sluggish trading as blue-chip utilities rose while the broader market fared less well and gaming stocks faltered. The composite index edged forward 8.59 to 1,120.37.

SEOUL finished lower in thin trading and the composite index dipped 5.17 to 936.01 in volume of just 24.54m shares, well below last week's daily average of 32.4m.

FT-ACTUARIES WORLD INDICES

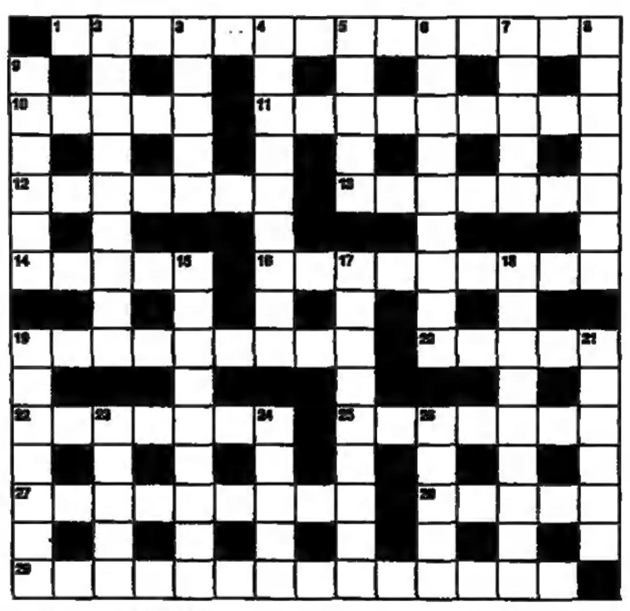
Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 26 1994								THURSDAY AUGUST 25 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	178.88	0.1	170.07	112.13	143.60	158.11	-0.1	3.48	176.79	168.83	111.48	142.12	158.21	189.16	139.24	146.31
Austria (17)	193.88	0.0	185.40	122.90	157.39	156.90	0.7	1.02	193.92	185.18	122.28	155.88	155.88	195.41	184.84	171.81
Belgium (37)	174.94	-0.8	168.19	110.88	142.01	138.85	0.2	3.98	176.27	168.32	111.13	141.89	138.58	176.76	163.82	148.43
Canada (104)	133.85	1.4	128.69	84.85	108.66	132.81	1.2	2.55	131.95	126.01	83.19	106.07	131.24	145.31	120.54	128.12
Denmark (33)	256.66	-1.4	246.76	162.70	208.35	215.87	-0.6	1.38	260.44	248.70	164.19	209.35	217.11	275.79	220.58	221.72
Finland (24)	170.98	-1.0	164.39	108.38	138.80	182.35	-0.4	0.77	172.78	164.99	108.92	138.89	183.12	172.78	104.28	112.84
France (97)	178.12	0.5	171.25	112.91	144.60	149.50	1.5	2.94	177.18	169.19	111.70	142.42	147.27	185.37	159.34	166.96
Germany (58)	146.50	-0.6	140.85	92.87	118.93	118.93	0.4	1.74	147.37	140.73	92.91	118.48	118.48	147.75	123.87	123.67
Hong Kong (56)	382.03	0.8	367.31	242.18	310.14	379.08	0.8	3.21	378.90	361.83	238.88	304.59	375.91	506.56	292.06	293.01
Ireland (14)	204.14	-0.5	196.26	129.41	165.73	189.27	0.3	3.34	205.13	195.89	129.32	164.90	188.74	209.33	161.54	169.68
Italy (59)	83.28	-0.8	80.07	52.79	67.61	98.53	0.1	1.58	83.96	80.16	52.92	67.48	98.40	97.78	67.88	78.39
Japan (468)	162.69	-0.5	156.61	103.26	132.24	103.26	0.1	0.74	163.64	156.27	103.15	131.54	103.16	170.10	124.54	157.33
Malaysia (97)	545.95	-2.0	524.91	346.09	443.21	535.75	-1.9	1.55	556.90	531.81	351.09	447.68	546.07	621.63	365.76	385.78
Mexico (18)	2336.56	-1.4	2246.49	1481.17	1896.82	8613.32	-0.7	1.55	2369.80	2262.04	1493.38	1904.16	8677.55	2647.08	1616.11	1747.06
Netherland (27)	217.02	0.2	208.65	137.57	176.18	173.69	1.2	3.29	216.63	206.87	136.57	174.14	171.65	217.02	180.25	181.89
New Zealand (14)	71.95	-0.3	69.18	45.61	58.41	63.33	-0.3	3.77	72.16	68.91	45.49	58.01	63.53	77.59	56.22	62.00
Norway (23)	207.77	-0.6	199.76	131.71	168.66	193.46	0.4	1.71	209.06	199.64	131.80	168.05	192.78	211.74	165.32	172.74
Singapore (44)	360.25	0.4	346.37	228.37	292.46	249.11	0.4	1.70	358.67	342.51	226.12	288.32	248.04	378.92	294.30	285.78
South Africa (59)	302.82	-0.1	291.15	191.96	245.83	300.16	-0.8	2.09	303.23	289.57	191.17	243.75	302.89	305.44	175.93	196.48
Spain (42)	143.49	0.0	137.96	90.96	116.49	141.37	0.9	4.08	143.49	137.02	90.46	115.34	140.12	155.79	128.88	136.69
Sweden (36)	223.02	0.8	214.43	141.38	181.06	253.73	1.8	1.57	221.18	211.22	139.44	177.80	249.80	231.25	175.83	181.24
Switzerland (47)	161.10	0.0	154.89	102.13	130.78	131.59	1.0	1.85	161.15	153.89	101.59	129.54	130.33	178.58	135.48	135.96
United Kingdom (204)	205.20	0.2	197.29	130.08	166.59	197.29	0.9	3.95	204.79	195.56	129.11	164.63	195.56	214.96	181.11	189.10
USA (518)	193.34	1.1	185.89	122.56	156.96	193.34	1.1	2.78	191.15	182.53	120.51	153.65	191.15	198.04	178.95	188.38
EUROPE (718)	175.77	0.0	168.99	111.42	142.69	158.10	0.8	2.94	175.77	167.85	110.81	141.29	156.78	178.69	163.98	166.79
Nordic (116)	217.60	-0.1	209.21	137.94	176.64	211.30	0.7	1.40	217.84	208.02	137.33	175.11	209.82	222.03	173.19	173.93
Pacific Basin (748)	171.97	-0.4	165.35	109.02	139.61	113.75	0.1	1.06	172.66	164.88	108.85	138.80	113.68	178.66	134.79	161.42
Euro-Pacific (1466)	173.45	-0.2	166.76	109.95	140.80	131.34	0.4	1.67	173.84	166.01	109.60	139.74	130.82	175.05	143.88	159.20
North America (622)	189.65	1.2	182.34	120.22	153.96	189.18	1.1	2.78	187.47	179.02	118.19	150.70	187.03	192.73	175.67	184.85
Europe Ex. UK (514)	156.30	-0.1	150.27	99.08	126.88	135.46	0.8	2.39	156.49	149.44	98.66	125.79	134.34	158.12	134.97	138.52
Pacific Ex. Japan (279)	260.69	-0.1	250.64	165.25	211.63	231.64	-0.1	2.79	260.91	249.16	164.49	209.74	231.87	296.21	200.13	201.88
World Ex. US (1647)	175.04	-0.2	168.30	110.96	142.10	135.11	0.4	1.88	175.40	167.49	110.58	140.99	134.60	176.37	145.58	159.62
World Ex. UK (1961)	177.63	0.3	170.79	112.60	144.20	146.86	0.6	2.02	177.14	169.16	111.68	142.40	147.84	178.02	166.98	166.10
World Ex. So. Af. (2106)	179.30	0.3	172.38	113.66	145.55	152.07	0.7	2.20	178.81	170.75	112.73	143.73	151.07	179.50	158.54	169.14
World Ex. Japan (1696)	191.25	0.6	183.88	121.24	155.26	182.45	0.9	2.81	190.19	181.59	119.88	152.86	180.88	195.20	174.04	176.08
The World Index (2165)	180.06	0.3	173.12	114.15	146.18	153.17	0.7	2.20	179.58	171.49	113.21	144.36	152.18	180.25	158.85	169.21

Latest prices unavailable for this edition.

CROSSWORD

No.8,545 Set by GRIFFIN



ACROSS

1 Don't enter site said to go underground (4,3,2,5)
10 Assorted bales of fur (5)
11 Use PC reprogrammed after supper? That's deliberate! (9)
12 Harsh south wind on Eastbourne front (7)
13 Dealt with handle she'd half removed (7)
14 He's stolen this skinhead's missing keys (5)
16 Flying doctor takes Mary round hospital (9)
19 Overlooks princess having to carry weight on board (9)
20 First person to leave is always cut off (5)
22 The cleaner and the continental prince (7)
25 Two points he can possibly add to (7)
27 Allotment in Gateshead helps control food supplies (9)
28 Must take 50% of beer to flat (5)
29 One's business is growing, even during recessions! (6,8)

DOWN

2 I seem upset about singer's missions (9)
3 Bit one of the men on board (5)
4 Irish person must learn to work (9)
5 Finished last night, it's open (5)
6 Are sent US version of French wine (9)
7 Admit to old lady I overlooked it (5)
8 When Scottish banker used to turn in? (7)
9 Question six-footer suspiciously (6)
15 Free one end of bed and let go (9)
17 Courier made jam with green liquid (9)
18 Notice weathercock label on inside edge (9)
19 Crude MO destroyed decency (7)
21 Staggered by slippery customer coming in blushing (6)
23 Change in hospital terminology (5)
24 Dangle from pole on part of building (5)
26 When the suspect's around, hurry (5)

Solution to Saturday's prize puzzle on Saturday September 10.
Solution to yesterday's prize puzzle on Monday September 12.

JOTTER PAD